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Reagan Ordered Deception

Hostages Cited As Motive to Hide Iran Deal

By Walter Pincus and Dan Morgan
Washington Post Service

WASHINGTON — President Ronald Reagan actively led the initial effort to conceal the essential details of his secret arms-for-hostages program and keep it alive

U.S. units reportedly took part in two raids inside Nicaragua in 1984. Page 3.

after the first disclosures threatened to blow it into a major controversy, according to newly released notes of a Nov. 10, 1986, White House meeting.

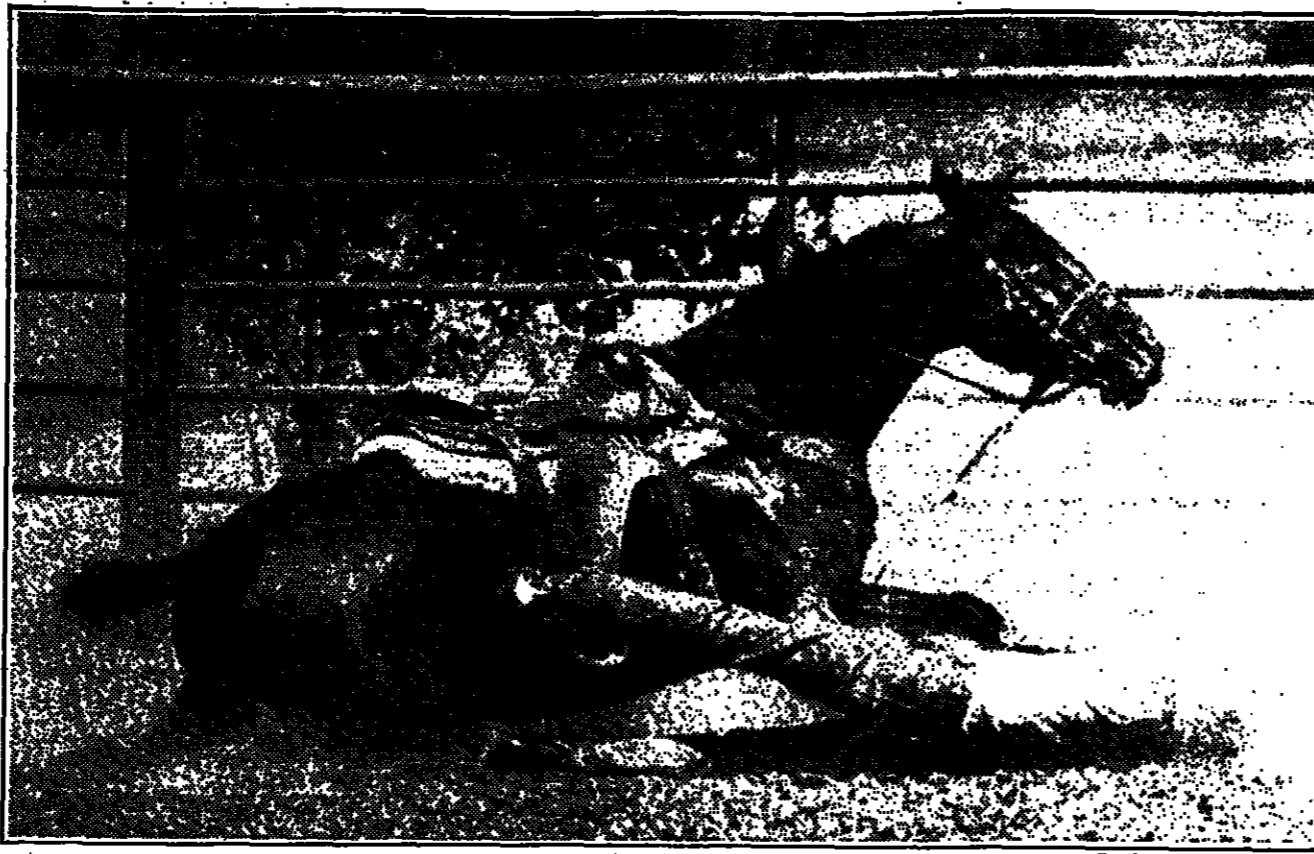
Presiding at the meeting of top cabinet and White House advisers, Mr. Reagan directed that "we don't talk TOWs, don't talk specifics," a reference to the U.S. anti-tank missiles that made up the bulk of the American deliveries to Iran.

The president had opened the meeting by saying that a statement was needed for "all of us," to indicate "no bargaining with terrorists" and "no ransom for terrorists," according to notes taken by Alton G. Keel Jr., then deputy national security adviser.

Mr. Keel's notes show a president who, in the hope of getting more U.S. hostages freed from Lebanon, begged for an administration statement that omitted that goal and emphasized instead the "international foreign interests" and "hope for foreign government" in Iran.

The administration stuck to this line in the weeks that followed, as the Iran-contra affair engulfed the Reagan presidency.

The Nov. 10 meeting came four days after the president said there was "no foundation" to fragmentary accounts in a Beirut magazine. See CONTRA, Page 5.



Commerce Secretary Malcolm Baldrige in a fatal fall at a California ranch during practice for a rodeo performance.

Baldrige Killed in Fall Before Rodeo Event

By David Johnson
New York Times Service

WASHINGTON — Commerce Secretary Malcolm Baldrige, who gained prominence in the Reagan administration for his leadership on trade issues, died Saturday after a riding accident in California.

Mr. Baldrige, 64, died in surgery after a horse he was riding while practicing for a rodeo performance reared up and fell on him in Walnut Creek, California.

He was a man of sharp contrasts whose accomplishments included championship calf roping. A member of the Council on Foreign Relations, he was also a member of the Rodeo Cowboys Association.

He graduated from Yale University in 1944 after writing a thesis on Chance, then spent two years as an ironworker, pouring molten iron into molds for the Cleveland plant of the Eastern Malleable Iron Co.

Thirteen years later, he became

the company's president. And in 1962 he was selected to head Scovill Inc., a diversified manufacturer based in Waterbury, Connecticut, which he led to sales of more than \$1 billion by 1980.

A member of President Ronald Reagan's original cabinet, Mr. Baldrige presided over one of the lesser known departments of the federal government. But as the administration worked to develop a more comprehensive and aggressive trade policy, he gained international attention as a pragmatic defender of U.S. trade interests.

Mr. Baldrige, who insisted he was a free-trade advocate, was the driving force behind the cabinet's decision in April to impose sanctions against Japanese electronics companies in a dispute over computer chips. The stiff tariffs were partly lifted last month at the meeting in Venice of seven leading Western industrial countries.

Last March Mr. Baldrige cited

national security concerns in voicing opposition to a plan by a Japanese company, Fujitsu Ltd., to acquire Fairchild Semiconductor Corp. Fujitsu later withdrew its proposal to acquire Fairchild, an important supplier of microchips to the U.S. Defense Department.

Mr. Baldrige was a longtime friend of Vice President George Bush and served as the chairman of his 1980 presidential primary campaign in Connecticut. After the 1980 election, Mr. Bush was named as instrumental in helping Mr. Baldrige secure the Commerce Department post.

Mr. Baldrige and Mr. Reagan were also close. The president is said to have appreciated Mr. Baldrige's independent spirit and his down-to-earth nature.

"Mac and I shared an affinity for the West, and I will greatly miss his friendship," Mr. Reagan said Saturday night.

Mr. Baldrige had said he hoped

to be the longest sitting commerce secretary, but he failed to surpass the longevity record set by Herbert Hoover, who held the job for seven years and five months before he ran for the presidency in 1928.

He was a professional roper who even in his 60s could bring down a calf in nine seconds. He was Professional Rodeo Man of the Year in 1980 and became a member of the National Cowboy Hall of Fame in 1984.

Japan Expresses Regret
Hajime Tamura, Japan's minister of international trade and industry, expressed shock and regret Sunday over Mr. Baldrige's death. United Press International reported from Tokyo.

Mr. Tamura said his death came at an "important and delicate" phase of U.S.-Japan trade relations. He praised the contributions Mr. Baldrige had made in developing economic relations between the two countries.

U.S. Delays Gulf Escort As France Alerts Fleet

Compiled by Our Staff From Dispatches
KUWAIT — A U.S. naval escort of two Kuwaiti-owned tankers through the Gulf toward the Strait of Hormuz, scheduled for Monday night, has been delayed and may now begin Wednesday or Thursday, shipping sources said here Sunday.

The sources told Agence France-Press that the loading of oil aboard the U.S.-registered Kuwaiti supertanker Bridgeton, which was damaged in a mine blast in the central Gulf while under U.S. naval escort on Friday, had not yet begun as of Sunday morning.

In Washington, Defense Secretary Caspar W. Weinberger said Sunday that the navy's anti-mine capabilities would be improved. "We have a minesweeping capability in the Persian Gulf and it can be increased and will be increased," Mr. Weinberger said in a television interview.

Mr. Weinberger declined to be specific about what the navy plans to do, but Rear Admiral Harold J. Bernsen, the top U.S. military officer in the Gulf region, said Saturday night the anti-mine measures have "to be right at the top of the list — no doubt about it. We're going to be looking at aspects of the mine problem very hard."

In another development, France ordered its Mediterranean fleet on Sunday to be ready to leave port within 24 hours because of increased tension in the Gulf, the Defense Ministry said. A Defense Ministry spokesman said the aircraft carrier Clemenceau, two frigates and a supply ship would be ready to leave the southeastern port of Toulon on Monday.

But he said the fleet would not necessarily sail. The spokesman said France had ordered the 24-hour alert as the latest step in a worsening diplomatic quarrel with Iran.

The Associated Press said it was not clear how long the 1,200-foot-long (360-meter-long) Bridgeton would remain at the Sea Island loading platform east of Mina al-Ahmedi, Kuwait's main oil port.

The tanker, one of the world's largest, normally shuttles oil from Kuwait to Khor Fakkan just outside the Gulf for transfer to tankers whose owners are unwilling to expose them to the perils of the Gulf.

Shipping sources told AFP that damage to the Bridgeton was not serious, adding that the 401,382-ton vessel would be able to start its voyage south to the Gulf of Oman, where its contents are to be transferred to three other ships, before repairs are made.

However, maritime salvage experts quoted divers as saying that the damage to the tanker was more serious than previously estimated. They told The AP that water flooded four of 31 compartments in the Bridgeton.

"The Bridgeton should not be

loaded before it is repaired," said one salvage agent based in Dubai, United Arab Emirates. However, the agent, who spoke to The AP on condition of anonymity, also said: "The Kuwaitis and the Americans might nonetheless load the tanker, and that would be a political rather than technical decision."

Only two shipyards in the Gulf — one in Bahrain and another in Dubai — are capable of handling a vessel the size of the Bridgeton, and shipping sources said both were heavily booked for an unspecified duration.

The Bridgeton struck a mine in waters near Kuwait early Friday while being escorted by three U.S. Navy warships.

In other developments, the captain of one of the three U.S. Navy escort ships said he did not understand why the flotilla did not have protection from mines. Pentagon sources in Washington said Kuwait

U.S. on Guard For Iran Attacks

New York Times Service
NEW YORK — American installations throughout the world have been alerted to the increased chance of Iranian attacks in retaliation for U.S. escorts of Kuwaiti shipping.

A senior government official, who spoke on condition of anonymity, expressed concern about possible Iranian-sponsored attacks in the Gulf, Europe and elsewhere.

The official spoke before the Kuwaiti oil tanker Bridgeton, given American registry and under escort by U.S. warships, struck a mine in the Gulf on Friday.



A woman who fainted Sunday in the heat is helped in Athens.



Crimean Tatars in Red Square during a protest demanding a return to their homeland.

Red Square Protesters Test Official Tolerance

The Associated Press

MOSCOW — A band of Crimean Tatars who tested official tolerance with an extraordinary overnight protest in Red Square won a promise Sunday of a meeting with a top Soviet official but they failed to gain an audience with Mikhail S. Gorbachev.

The group, which dwindled from more than 500 at the outset to about 100 early Sunday, left voluntarily at about 3 P.M., 21 hours after beginning a peaceful protest.

Tatar activists said it appeared no one had been arrested. One activist said Andrei A. Gromyko, the Soviet president, was

scheduled to meet with them at noon Monday.

The protesters had earlier rejected a meeting with Mr. Gromyko, with one saying that the 77-year-old president was "a representative of an old administration." They had hope for a meeting with Mr. Gorbachev, the Soviet leader.

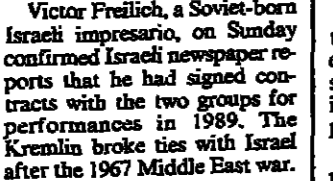
The protesters apparently settled for the session with Mr. Gromyko as the stalemate dragged on between the demonstrators and hundreds of policemen in Red Square.

Mr. Gromyko heads a government commission formed last week to look into the problems of the

Kiosk Bolshoi Ballet Will Go to Israel

JERUSALEM (AP) — Two of the Soviet Union's best-known arts groups, the Bolshoi Ballet and the Red Army Chorus, have scheduled performances in Israel that would mark a significant upgrading of cultural ties.

Victor Freilich, a Soviet-born Israeli impresario, on Sunday confirmed Israeli newspaper reports that he had signed contracts with the two groups for performances in 1989. The Kremlin broke ties with Israel after the 1967 Middle East war.



Stephen Roche of Ireland won the 25-day Tour de France cycling race. Page 13.

GENERAL NEWS

■ In Manila, a new Congress convenes amid heavy security precautions. Page 5.

BUSINESS/FINANCE

■ OPEC's oil output may be as much as 2.5 million barrels a day over its quota. Page 7.

Main Tamil Rebel Group Balks at Peace Proposals

Reuters

NEW DELHI — Indian negotiators have failed to persuade Sri Lanka's main Tamil rebel group to accept peace proposals after two days of talks here, the Press Trust of India reported Sunday.

The news agency quoted Velupillai Prabhakaran, leader of the Liberation Tigers of Tamil Eelam, as saying prospects were dim for signing the pact on Wednesday as proposed by Sri Lanka.

Mr. Prabhakaran said the proposals, backed by the Sri Lankan and Indian governments, were unsatisfactory and would have to be improved.

Sri Lankan officials said Friday they had agreed with India on the outline of a peace accord to end the four-year insurgency by the Tamils, and Prime Minister Rajiv Gandhi was said to be preparing to meet Monday with the top Tamil rebel leader to encourage him to accept the plan.

Tamil separatist leaders were set to meet Monday with Mr. Gandhi, and Tamil sources said he would give them no option but to accept the joint peace plan.

They said the main rebel objection concerned the demand that they lay down their arms by Friday. One Tamil source said they would not object to handing over their weapons to the Indian authorities.

He acknowledged that the militant Tamils, who depend on Indian good will to pursue their struggle, had little room for maneuver.

Mr. Prabhakaran's group will not be given the option to say no, the Tamil source said, adding, "This is a forced settlement, a shotgun wedding."

Gandhi Sees Hope

Richard M. Weintraub of The Washington Post reported earlier from New Delhi:

Before the apparent setback in the Tamil talks on Sunday, Mr. Gandhi had spoken cautiously about hopes, raised suddenly Friday, for a settlement.

President Juvius R. Jayawardene of Sri Lanka announced Saturday that Mr. Gandhi would fly to Colombo on Wednesday to sign the agreement, which would be implemented Aug. 3. Mr. Gandhi would not confirm any such plans.

He said he had not yet met with Mr. Prabhakaran.

Political observers in New Delhi have questioned how hard Mr. Gandhi is willing to push the rebels.

Sri Lanka experts also cautioned that, despite Mr. Jayawardene's optimism, he faces a difficult task selling the proposed accord to his country's majority Sinhalese population. On Saturday, he threatened to dissolve Parliament if it did not approve the peace plan.

The plan would meet a central Tamil demand by linking the mainly Tamil Northern Province with the Eastern Province, which is slightly more than 33 percent Tamil. The regions would share a provincial assembly and chief minister, and Tamil would be recognized as a national language.

India, which has both supported the Tamil guerrillas and tried to mediate the civil war, apparently is to act as guarantor.

Mr. Gandhi's aides hope that the optimism over a settlement can help him in southern India, which is dominated by Indian Tamils. On Saturday, Ramaswami Ven-



Christian Lacroix, left, featured a bridal gown with an embroidered matador jacket.

Christian Lacroix: First the Jitters, Then the Applause

By Hebe Dorsey
International Herald Tribune

PARIS — In a new chapter of fashion history, professional buyers stood up, screamed, applauded and tossed flowers at Christian Lacroix, the new Paris couture designer who showed his first collection under his own name on Sunday afternoon.

He instantly became Paris's new fashion hero.

"There's been nothing like this since Dior and Saint Laurent," said Lynn Manulis, the president of Martha's, a deluxe boutique with outlets in New York and Palm Beach, Florida.

"He's a phenomenon. He has the ability to change fashion, which hasn't happened in a very long time."

John Fairchild, the publisher of Women's Wear Daily, declared: "That old elegance now looks consipated."

"Ravishing" is how Anita Smaga, a top retailer from Geneva, described the collection. "Not easy, but new."

Gene Pressman, president of Barney's in New York, said: "He introduced a new customer to couture, younger and not afraid to take risks."

For Kal Rutenstein, vice president of Bloomingdale's, the collection was "strong and truly inspired."

theatrical, exotic and influential."

Dawn Mello, president of Bergdorf-Goodman, said it was "full of wit, charm and sophistication."

In short, Lacroix did it. It was a triumph for the designer, whose career went off like a rocket since he opened his own house three months ago. Few could recall when the press coverage of a new collection had been so worldwide and the reaction of buyers so intense.

There was madhouse at the door and the atmosphere was good and tense as friends and fans wondered if Lacroix could live up to the enormous suspense that has been building up around his name.

The jittery designer, who said the press coverage had been "almost too much," made the sign of the cross before the show.

Last week, it was hard to find a magazine on French newsstands that did not feature Lacroix on its cover.

On Friday, the singer Madonna called, requesting a dress by him for her next concert tour.

The first of the three shows on Sunday started slowly, even nervously. But quickly, nonstop applause erupted, and continued through a roaring finale. After the second show, the response was so enthusiastic by

See DESIGN, Page 5

Warsaw Lets Church Use U.S. Funds to Aid Farmers

By Jackson Diehl
Washington Post Service

WARSAW — Poland's Roman Catholic Church has won a significant concession from the Communist authorities, gaining approval for a \$10 million program, funded by the United States, to help private-sector agriculture here.

The government of General Wojciech Jaruzelski has granted a tax exemption and customs clearance for a church committee to import millions of dollars worth of badly needed farm machinery and water-pumping equipment, a committee official said.

The government's action this month reversed a position maintained during five years of previous negotiations with the church.

Funds for the imports will come from a \$10 million U.S. donation. The funds were appropriated by Congress several years ago but never used by the church because of its inability to obtain the tax and customs waivers. A bill now pending in Congress would extend the appropriation into the next fiscal year, beginning in October.

According to church officials, senior Polish officials also have indicated they could now permit the establishment of a nonprofit foundation that would institutionalize the aid program and seek to perpetuate it with additional foreign donations as well as business activities inside Poland.

As currently planned, the project will start by providing farmers with the opportunity to buy machinery normally unavailable in Poland. The church then would use the money from the sales to finance water and sewage projects in rural villages.

The government commitments suggest that the church will be able to revive, at least partially, a project that was a major priority during the early 1980s and that was strongly backed by the Reagan administration and other Western governments.

The Polish Roman Catholic primate, Cardinal Jozef Glemp, ordered the project abandoned in September 1986, saying that the government was unwilling to accept the initiative.

But Witold Trzeciakowski, the head of the church committee, said that the government recently seemed to have given up its longstanding resistance, in part because the project had been scaled down and in part because of the increasingly pressing need to revive Poland's economy.



The body of Mohawat Said Gandura outside his fifth-floor apartment in Rome. Police treated his death as a suicide.

Defendant in Achille Lauro Case Dies While Trying to Flee Police in Rome

By Loren Jenkins
Washington Post Service

ROME — A Palestinian who was acquitted of a minor role in the 1985 hijacking of the Achille Lauro cruise ship fell or jumped to his death from his fifth-floor apartment while trying to avoid extradition to Syria.

The police identified the man as Mohawat Said Gandura, 38. He was one of 15 persons tried in Genoa in 1986 in connection with the Achille Lauro hijacking, in which an elderly American passenger, Leon Klinghoffer, was killed.

Mr. Gandura was acquitted of being a part of the hijacking conspiracy. He was convicted of giving a false name and false information at the trial, but was acquitted of this charge on appeal.

During the trial he claimed he was a Palestine Liberation Organization colonel who had been mistakenly arrested while passing through Rome on his way to a secret mission in Beirut. The PLO

denied that Mr. Gandura was part of the organization.

Mr. Gandura had remained in Italy since his trial because no country would accept him. On Saturday, the police arrested him, following a Syrian request for his extradition on fraud charges.

A police spokesman, Riccardo Infelisi, said that officers at police headquarters had informed Mr. Gandura that he would be deported to Damascus. Mr. Gandura asked that he be taken first to his apartment in the Trastevere district of Rome so he could pick up some belongings and inform his wife, Mr. Infelisi said.

When the police took him to the apartment he bolted and locked himself in a bedroom. By the time the police kicked in the door, Mr. Infelisi said, Mr. Gandura was climbing out a window onto a small ledge.

"They grabbed hold of him," Mr. Infelisi said, "but he was all sweaty and they weren't able to hold on to him." Mr. Gandura fell to the street below, where he apparently died instantly.

Mr. Infelisi said the police were treating the case as a suicide.

Mr. Gandura's identity and activities have remained a mystery to Italian officials despite repeated interrogations.

At times, he identified himself as Gandura, saying he had been born in Damascus on March 10, 1949. At other times he said he was Ibrahim Husari, born either in Morocco or Jordan.

In his sentencing report, Judge Francesco Paolo Castellano, who wrote the Achille Lauro sentences, concluded that Mr. Gandura was not a member of the PLO as he had claimed, but had at times put himself at the disposal of its factions.

Judge Castellano said that Mr. Gandura behaved like a "folkloric spy" who was "in such a habit of changing his name" that he repeatedly got into trouble.

Mubarak Wraps Himself in the Banner of Islam

Egypt Tries to Ride Fundamentalist Tide, but Repress Violent Extremists

By John Kifer
New York Times Service

CAIRO — The National Democratic Party of President Hosni Mubarak, in which the several contending factions range from socialists to free-wheeling capitalists, is increasingly embracing Islamic symbols.

In parliamentary elections in the spring, the party's posters used the color green and the crescent moon of Islam. Using the symbols is a significant advantage in a nation with a literacy rate of less than 50 percent.

Last week's issue of the Islamic Banner, the party's own newspaper, was devoted almost entirely to the annual hajj, or pilgrimage to Mecca. It also had an article stating that women should not have

the same right to divorce as men because women are more emotional.

"This is the paper issued by the party of Mubarak," said Dr. Nawal Saadawi, one of Egypt's leading feminists. "Who is paving the ground for these Islamic groups? It is the government itself, and the first victim will be the government."

Other secular-minded Egyptians and some foreign diplomats say that Mr. Mubarak's regime has adopted an ambiguous and possibly risky policy of repressing violent Islamic fundamentalists while also trying to take advantage of Islam's growing popular support.

"Clearly there is a two-track policy," said a Western diplomat. "I don't think they make any bones about it. There is an attempt to bring responsible Islamic figures into the system and a very clear policy that fundamentalists who engage in violence are going to get clobbered."

The security forces have rounded up hundreds of people suspected of membership in underground Islamic extremist groups. But the government, cloaking itself in Islamic symbols, also has allowed the Moslem Brotherhood, which is officially banned, to become the major opposition voice in Parliament.

Government officials say the government to the Brotherhood, which was banned for its suspected involvement in a 1954 assassination attempt on President Gamal Abdel Nasser, hopes to drive a wedge between it and such clandestine fringe groups as the organization that assassinated Mr. Mubarak's predecessor, Anwar Sadat, in 1981.

But others question whether the "Islamic trend," as it is called, can be split. They see the various groups as generally united in purpose as well as religious belief.

"Some in the government say, 'Look, the tactic is working; the mainstream Islamic trend has reemerged violence,'" said a diplomat. "But there's another theory that has a lot more doubts about the Moslem Brotherhood, the Islamic charities and so forth, that they are really a front, that in the end, the Islamic movement is all one and the same thing."

Their tactics are different, he said, but the goals are the same: the imposition of sharia, or strict Islamic law.

The fundamentalists can point to some victories in their efforts to make Egypt more Islamic. A clause in the 1971 constitution saying Islamic law was "one of the sources of legislation" was changed in 1979. It now reads, "Islam is the religion of the state, Arabic is its official language and principles of Islamic law are its main sources of legislation."

In the spring of 1985, EgyptAir, the national airline, stopped serving alcoholic drinks after complaints from fundamentalists.

A 1979 decree by Sadat, which required a husband to get his wife's consent before taking a second wife, was struck down in court in 1985. It was replaced by a watered-down version that did not give women the same protection.

The party members in Parliament who nominated Mr. Mubarak for another six-year term in October elections recently sprinkled their speeches with Islamic references.

But it is the government's television station that plays perhaps the strongest role in promoting Islam. Beside several general Islamic announcements each day, the station carries a weekly sermon by the charismatic Moslem preacher Sheikh Metwally Sharawi, who mixes classical and colloquial Arabic and gives down-home examples of injunctions from the Koran. His popular hour-long sermon is watched by tens of millions each Friday afternoon.

Even so, the government is still challenged by underground Islamic terrorist groups that were blamed for recent attempts to assassinate Hassan Abu Basma, a former interior minister who directed the roundup of fundamentalists after Sadat was killed, and Makram Ahmed, an editor critical of the rise of fundamentalism.

The central figure in the government's fight against the under-

ground cells is the tough-talking interior minister, Major General Zaki Mostafa Ali Badr, who cracked down on the city of Asyut in upper Egypt after fundamentalists noted there following Sadat's assassination.

Some diplomats are concerned about the general's tactics.

"The instinctive response of the security people," one said, "is not to do any investigative or police work, but just to pull the book out and round up the first 500 names and start roughing them up. If they weren't afraid when they started on them, they will be by the time they come out of jail."

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Hosni Mubarak

WORLD BRIEFS

Weinberger Firm on U.S. Warheads

WASHINGTON (AP) — Caspar W. Weinberger, the secretary of defense, said Sunday that the United States will not bargain away U.S.-controlled nuclear warheads in West Germany in seeking an arms control agreement with the Soviet Union.

Interviewed on television, Mr. Weinberger said he regards the latest arms control offer by the Soviet leader, Mikhail S. Gorbachev, as a significant step toward a possible agreement, but he is still waiting to see all of the conditions. He said that for the United States to agree to all of the conditions, that the superpowers withdraw those warheads would violate a principle that the superpowers will not bargain away agreements they have made with other countries.

"It not only violates that, but the German Pershing is not on the table," he said, alluding to nuclear warheads for West Germany's 72 Pershing 1A short-range missiles. He added the Soviet proposal would simplify the problem of how to verify a treaty, which the United States regards as a key point in negotiations.

2 South Africa Blacks Killed by Mobs

JOHANNESBURG (AP) — Two black men were killed in separate incidents of mob violence, and a post office in the black township of Soweto was set afire, causing slight damage, the police said Sunday in their daily report on unrest.

One man died Saturday after a group of blacks in Uitenhage, near the southern city of Port Elizabeth, poured gasoline on him and set him on fire, the report said. The other man was stoned to death by a group of blacks in Grahamstown after his car broke down, according to the report. The car was set afire and the body thrown onto the burning vehicle. Orkney is about 75 miles (about 120 kilometers) southwest of Johannesburg.

The report did not say what had started the violence in either case.

Italian Coalition Agrees on Structure

ROME (Reuters) — Prime Minister-designate Giovanni Goria hopes to announce the formation of Italy's 47th post-war government on Tuesday after securing agreement on the new government's structure from his five proposed coalition partners.

Mr. Goria said Saturday that a one-hour meeting of the leaders of the Christian Democrats, Socialists, Republicans, Liberals and Social Democrats had ended with "a strong convergence of views on the program and the structure of the proposed new government."

He said the agreement had to be ratified by the executive committee of the five parties during meetings on Monday and Tuesday. "During unforeseen developments, I hope I will be able to go to the president on Tuesday and present my list of ministers," he added.

50 Haitians Die in Clash Over Land

PORT-AU-PRINCE, Haiti (AP) — More than 50 people were killed and many more were wounded when peasants demanding land reform and people employed by landowners fought with machetes, stones and fists, according to radio reports.

A group of several hundred peasants on route to the northwestern village of Jean-Rabel were ambushed Saturday by assailants, some of whom apparently were members of the Tontons Macoutes, the private army of the former dictator, Jean-Claude Duvalier, according to radio stations in Port-au-Prince.

At least 50 bodies were recovered and more were visible in the ravines near Jean-Rabel, about 150 miles (about 240 kilometers) from Port-au-Prince, Radio Haiti Inter reported. Radio Soleil, the Catholic Church station, and Radio Aguilles said that the clash occurred Friday evening, but Radio Haiti Inter said in a report Saturday night that the battle had taken place on Thursday.

U.S. Crime Level Is Highest Since '81

WASHINGTON (AP) — The Federal Bureau of Investigation has reported that crime in seven major categories rose 6 percent in 1986 to the highest point since 1981. Crime levels have now risen for two straight years, with increases in 1986 in 44 of the 50 states.

Serious offenses reported to the police numbered 13.2 million in 1986, with violent crime up 12 percent from 1985 and property crime up 6 percent, the FBI said Saturday.

In 1981, the peak year, 13.4 million serious crimes were reported. The crimes covered by FBI statistics are murder, aggravated assault, rape, robbery, burglary, larceny-theft and auto theft. There was a 15-percent jump last year in reports of aggravated assaults, which rose to 834,000.

TRAVEL UPDATE

QE2 Limp Home After 6-Day Cruise

LONDON (Reuters) — The luxury liner Queen Elizabeth 2 was limping back to England from Gibraltar after suffering the latest in a series of technical problems since a £100 million (\$160 million) refit earlier this year.

A spokesman for Comair, the British operators, said the 1,800 passengers would be compensated for delays during their six-day cruise to Portugal and Gibraltar. The ship was due in Southampton, England, on Sunday.

China Sees Faults in Tourist Industry

BEIJING (AP) — The tourist industry in China's capital is improving, but such problems as employees demanding tips and collecting sales commissions still remain, an official report said Sunday.

Officials assessed the performance of 380 tourist-related enterprises and placed 63 on an honor roll, the overseas edition of the People's Daily reported. Twelve other enterprises, however, were found to be run chaotically or to have poor service, it said. The article said Beijing tourism officials have urged cracking down on employees who demand tips and collect sales commissions.

Beijing had 474,000 overseas tourists in the first half of 1987, up almost 11 percent from a year earlier, and earned \$240 million from the industry, a 25-percent increase, the official Xinhua news agency has reported.

The Mexican Pacific coast ports of Manzanillo, Acapulco, Zihuatanejo and Lazaro Cardenas reopened to ships Saturday after having been closed by a hurricane. The highway from Manzanillo to Colima remained closed. (UPI)

This Week's Holidays

Banking hours and government services will be closed or curtailed in the following countries and dependencies this week because of national and religious holidays:

- MONDAY: Cuba, Maldives, Puerto Rico, Virgin Islands, Yugoslavia.
- TUESDAY: Peru, San Marino, Saudi Arabia.
- WEDNESDAY: Peru, Saudi Arabia.
- THURSDAY: Benin, Saudi Arabia, Vietnam.
- FRIDAY: Benin, Congo, Saudi Arabia, Spain.
- SATURDAY: Guyana, Nicaragua, Rwanda, Saudi Arabia, Switzerland, Trinidad and Tobago, Zaire.
- SUNDAY: Saudi Arabia.

Source: Margin Guaranty Trust Co., Reuters.

Swiss Tighten Security, Decide to Try Hijacker

GENEVA — Switzerland has tightened security at airports and embassies following its decision to try a pro-Iranian Lebanese who seized an Air Afrique airliner on Friday and killed a French passenger, Swiss officials said.

The hijacker, who identified himself as Hussein Ali Mohammed Hariri, 21, was captured at Geneva's airport.

The Swiss president, Pierre Aubert, decided against turning Mr. Hariri over to the French, saying: "The act of piracy was committed in Switzerland, therefore it's up to a Swiss court to judge the crime."

The Geneva prosecutor, Bernard Corboz, said the gunman would be charged with hostage-taking and murder, which carries a maximum sentence of life in prison.

He seized the airliner during a flight from Rome to Paris, forced it to land at Geneva, demanded the release of pro-Iranian extremists jailed in France and West Germany, and executed a French passenger.

In Beirut, a previously unknown group calling itself the Green Cells threatened to strike at Swiss targets if Mr. Hariri was handed over to France.

Of particular concern to Swiss officials are Swiss living in Beirut, where various foreigners are being held hostage by pro-Iranian extremists. Among the Swiss in Beirut are 28 members of the International Committee of the Red Cross, who work in Moslem West Beirut.

Swiss Red Cross workers said in Beirut on Sunday that they had no intention of leaving Lebanon.

"We are helping thousands of civilians," said Dominique Gross, the Swiss head of the Red Cross delegation. "It will be dramatic and against our duty if we leave even for a short time. We have asked our delegates not to travel everywhere in the country if it is not really needed."

Swissair said it was taking tough new measures aboard its aircraft and at airports around the country. "We are reinforcing security measures on all our aircraft and in the airports at Geneva, Zurich and

Bâle-Mulhouse," said a Swissair spokesman, Jean-Claude Donzel. "We are anticipating an increase in threats, particularly in the Near and Middle East."

Airlines have been a favorite target of Middle East gunmen, but Swissair has a reputation for tough security measures.

Mr. Hariri reportedly boarded the Air Afrique DC-10 in the Central African Republic capital of Bangui and forced it to detour and land at Geneva during the last leg of its flight from Brazzaville, Congo, Paris.

The crew overpowered Mr. Hariri after he killed a 28-year-old Frenchman. A Congolese steward who was shot in the stomach during the struggle was reported to be in stable condition after a three-hour operation.

Mr. Hariri was demanding, among other things, the release of Mohammed Ali Hamadeh, accused in West Germany of murdering a U.S. Navy diver during a TWA airliner hijacking to Beirut in 1985, and Georges Ibrahim Abdallah, serving a life sentence in France for killing a U.S. military attaché and an Israeli diplomat in 1982.

A Palestine Liberation Organization representative in Geneva who negotiated with the hijacker has expressed doubt about whether Mr. Hariri is giving his correct identity.

ADVERTISING

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In Memory of My Brother MOHAMMAD REZA PAHLAVI The Late Shahanshah of Iran



July 27, 1987 marks the 7th anniversary of the passing of my beloved brother Mohammad Reza Pahlavi, the late Shahanshah of Iran. He dedicated his life to his people. He lived and died for Iran. He conceived of Iran as a transcendent idea, expressing the inevitable ebb and flow of history, at times reaching the heights of human achievement, at times losing grasp of the ideal, but always striving, always seeking to achieve — an eternal fire that time and chance might dim, but never extinguish. He saw Iran as a main pillar of human civilization, a nation whose heritage of justice, beauty and light had enriched human culture through the ages. He believed his people deserved a future that was promised in this heritage and, as their king and leader, he strove with them to achieve it. He rejoiced in his people's steady march toward plenty, equality and freedom. He was a nationalist and a proud Iranian.

He was a man of religion. Not the religion of those who peddle the name of God for profit and power. Nor of those who worship at the altar of hate, war and vengeance. He believed in God's eternal goodness, bountiful mercy and encompassing benevolence. He admonished those who forgot God's dominion over man's conscience; he abhorred false pretenders who dragged his sublime name into the gutter of mundane politics to support their own lust for worldly power and possession. He was a true Moslem.

He strove to eradicate poverty, hunger, ignorance and disease in his country and beyond. He worked for peace in his region and in the world. In the 37 years of his reign, Iran was a force for calm and stability in a turbulent region fraught with rebellion, war and fratricide. In world politics, he preached friendship among nations and counseled peace through strength and good will through understanding. He was a wise and trustworthy leader.

He believed that people everywhere were children of the same God and shared in the same eternal spark. He loved his family, cared for his friends and honored his people. He bore malice toward no one. He forgave every single individual who had wished his person ill and done his person wrong. He was a good man.

Were he alive today, he would rage against the atrocities that are daily committed by an oppressor regime in the name of his people. He would also condemn those who unjustly attribute the oppressor's barbarism to the oppressed, and thus fall to honor the aspirations of a nation that is justly proud of its past, and painfully conscious of the burden it carries for the future.

To Iranians he would say: Be strong. Do not lose hope. Look into your souls. You will know that your future is in your own hands. Only you can cast off the ugliness that now engulfs you. Only you can recapture the glory and the respect that is rightfully yours. Unite and smite the oppressor. God bless his soul.

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Lawmakers Still Expect Battle Over Contra Aid

By Linda Greenhouse
New York Times Service

WASHINGTON — Leading members of Congress, including Republicans who favor U.S. military aid to the Nicaraguan rebels, say they do not share the Reagan administration's view that the Iran-contra hearings have improved the outlook for continued aid.

Democrats and Republicans in Congress both said in interviews that they expected the rise in public support after Lieutenant Colonel Oliver L. North's testimony to be of little lasting value to the White House. They said the debate in Congress after the current \$100 million appropriation runs out in September would be contentious, with the outcome in doubt.

President Ronald Reagan is expected to ask Congress soon for an 18-month appropriation of \$130 million to \$140 million, which would carry the aid program for the rebels, known as contras, through the end of his term.

After the first disclosures about the secret diversion to the rebels of profits from the Iran arms sales, Reagan administration officials were so pessimistic about the chances for more aid that they put off submitting the request until fall. Officials had said they feared that disclosures from the Iran-contra hearings could make the outcome just as doubtful. But the hearings have instead served as a highly visible platform for government officials and others to present the case for contra aid.

Mr. Reagan says the hearings have turned the tide. "The American people are waking up," he said Friday.

But polls showing modest increases in public support for aid to the contras were generally discounted in Congress.

A New York Times-CBS News Poll taken on Tuesday and Wednesday showed 49 percent of the public opposed to aiding the contras, with 40 percent in favor. In January, the same poll found 60 percent opposed and 28 percent in favor.

Public support has "maybe gone up a little, but it's still going to be tough," said Senator Bob Dole of Kansas, the Republican leader, who has supported aid. "You've got to have the votes."

Senator Richard G. Lugar, Republican of Indiana, said the hearings had given the contra policy increased visibility without increasing public confidence. As chairman of the Foreign Relations Committee until the Democrats took control of the Senate this year, Mr. Lugar spent years guiding the administration's contra aid bills through an increasingly reluctant Senate.

"A large number of Americans now see the Sandinistas as a very unfortunate government," he said. "But the question is, what do we do about it? What hasn't jelled yet is any enthusiasm for the contra as the remedy. The formula that will give any sort of bipartisan staying power has yet to be found."

Mr. Lugar said that if a vote was taken now, aid to the contras would probably be defeated in the House of Representatives and win narrowly in the Senate. But he said that was a "snapshot for the moment" that could easily change.

He said he believed the administration did not realize how thin its support was in the Senate even last fall, when the \$100 million appropriation was approved 53-47. Only a bipartisan agreement on a simultaneous vote on sanctions against South Africa saved the contra bill from a filibuster that could have killed it, he recalled.

The House has also been deeply divided. It initially rejected the \$100 million appropriation last year, then approved it 221-209. In March, it voted 230-196 to block further aid to the contras until the administration provided an accounting of the funds spent so far.

While that measure never came to a vote in the Senate, the House Democratic leadership regards the vote as having placed a solid majority of the House on record against the administration's policy.

"We're not sensing any loss" of opposition as a result of the hearings, said Representative David E. Bonior of Michigan, who heads a House leadership task force on the issue.

AMERICAN TOPICS

More Adults Believe Padding Of School Pupils Is Child Abuse

Corporal punishment of public school pupils, which is legal in 41 of the 50 states, is increasingly opposed by parents, lawmakers, psychologists and educators who say it can be a form of child abuse, The New York Times reports.

The punishment usually involves striking pupils across the posterior, most often with a paddle, or with a heavy belt or a birch switch. Marilyn B. Gootman, a professor of education at the University of Georgia, said it has little deterrent effect because "the kids who get paddled are the same ones who get paddled over and over again."

She said paddling also can have a negative effect on children whose behavior never leads to corporal punishment: "Good" children also worry about getting paddled. Their worrying saps energy from their thinking and learning.

Support for corporal punishment is strongest in the rural South and in the Midwest. "I don't know what we'd do without it," said Johnnie Sikes, the school superintendent in Toombs County, Georgia. "The only alternative is to send unruly kids home, and they won't learn anything there."

Irwin A. Hyman, a psychologist at Temple University who heads the National Center for the Study of Corporal Punishment, said paddling contributes to "the acceptance of the idea that violence against children is all right."



ROOSTER UNDER GLASS — Cathy O'Caia of Orangeburg, South Carolina, shows off Brewer, a pet rooster that she raised in a five-gallon jug. Her family says a glass-cutting tool will be used to free the animal.

Short Takes

Joan Rodman is a doctorate doctor. Ms. Rodman, 50, of Venice, California, helps graduate students complete their dissertations. Her clients are referred to as ABD's, people who have fulfilled the requirements for a doctoral degree — All But the Dissertation. She herself has a Ph.D. in psychology. Some of her 40 clients have been putting off their dissertations for decades. She told the Los Angeles Times that those who fail to complete the work may have a subconscious fear of success, or may not realize that even a monumental task can be broken down into more manageable segments. She meets in small groups with her clients, who give each other encouragement. She never asks how the dissertations are coming along.

U.S. drug agents seized 27 tons of cocaine, 1,106 tons of marijuana, nine tons of hashish and a substantial amount of heroin in 1986, according to the General Accounting Office, an investigative arm of Congress. An estimated 138 tons of cocaine, 11,000 tons of marijuana, 165 tons of hashish and seven tons of heroin slipped into the country. The agency said anti-drug efforts, which cost \$822 million last year, did little more than give the smugglers something to worry about.

Notes About People

"I never think of myself as having a judicial philosophy," Justice Lewis F. Powell Jr., 79, who retired from the U.S. Supreme Court last month, said in an interview with The New York Times. "I have in mind that each one of these cases is enormously important to the parties, particularly to the defendant in a criminal case. I try to be careful, to do justice to the particular case, rather than try to write principles that will be new, or original, or whatever."

Irwin F. Bessky, the Wall Street speculator who paid a \$100 million penalty last year for insider trading, has been turning his attention to religious studies. Mr. Bessky, 50, has enrolled in the Jewish Theological Seminary in New York for classes in Hebrew and the Talmud. He has long been a major contributor to Jewish charities.

The Reverend William Sloane Coffin Jr. has resigned as senior minister at Riverside Church in Manhattan to resume his anti-war activism. As chaplain at Yale University from 1958 to 1975, Mr. Coffin led civil rights marches in the South and peace rallies in the North. On leaving Riverside Church, Mr. Coffin, a Presbyterian, said, "After being in a place for 10 years and you're 63, you've got, maybe, one biggie left." He will become president of SANE-Freeze, a Washington-based nuclear disarmament group.

In Washington, a farewell party for Walter F. Mondale and his wife, Joan, was not as poignant as such affairs often are, since they may be back in Washington in a couple of years. The Mondales are returning to Minneapolis, where the former vice president will join the law firm of Dorsey & Whitney. The Washington Post said Mr. Mondale, 59, also is expected to begin rebuilding his political base for a 1990 run against the Republican senator, Rudy Boschwitz, 56. The Mondales, who spent 25 years in Washington, have not sold their house in the capital.

—ARTHUR HIGBEE

U.S. Protests Cuban Media Campaign That Accuses Diplomats of Spying

By Joseph B. Treaster
New York Times Service

HAVANA — With relations with the United States at one of the lowest points in years, the Cuban government has asserted in an extensive television and newspaper campaign that many U.S. diplomats here have been spying and plotting to assassinate President Fidel Castro.

In a confidential diplomatic note that was made public by the Cubans, the United States said that it "energetically protests these latest acts of harassment" and it specifically denied any plans to harm Mr. Castro.

Cuba has given no evidence of spying by the United States or of attempts to kill the president.

However, Cuba has accused 151 U.S. diplomats of various kinds of spying in Cuba over the last decade, and it has published names and photographs of many of them in a campaign that the United States said had endangered the diplomats' lives and obstructed their "legitimate diplomatic activities."

U.S. officials in Havana have been unwilling to discuss the espionage charges beyond what is said in the diplomatic note, which they acknowledge.

Despite the bitter war of words being waged by the two nations, no sense of anti-Americanism is apparent in the streets.

In the midst of Cuba's denunciation of the U.S. diplomats earlier this month, an American baseball team played a series of five games in Cuba before packed stadiums, and Cuba is enthusiastically preparing a contingent of 450 athletes for the Pan American Games to be held in Indianapolis in August.

Western diplomats say they believe the Cuban campaign was created to counter the embarrassment of the defection in late May of a Cuban Air Force brigadier general. The general, Rafael del Pino Diaz, is a hero of Cuba's fight during the Bay of Pigs invasion and a veteran of the nation's campaign in Angola.

General Del Pino has criticized Mr. Castro and the Cuban political system in long interviews on Radio Marti, the U.S. broadcast service beamed to Cuba.

Many Cubans say they have found the general's defection and his allegations shocking, but credible.

The United States asserted in its strikingly blunt diplomatic note that "all officials and employees" of the Cuban diplomatic mission in Washington, "without exception" were members of the Cuban Intelligence Service, and it requested that two of the 20 Cuban diplomats posted there be withdrawn.

There was no indication that either the United States or Cuba intended to break the limited diplomatic ties they established in 1977 after 16 years without such links.

Cuba said it had no intention of expelling any of the U.S. diplomats accused of spying, four of whom were in the country when the campaign started.

Western diplomats said this undermined the value that each nation places on the outpost it maintains in the other's capital.

The United States considers the mission in Havana especially useful because the Cuban government controls all means of information, and there are no U.S. reporters based in Havana.

U.S.-Cuba relations fell to the lowest point in at least a decade in late January when the United States withdrew the chief of its mission in Havana. The move came after notification that the Americans would no longer be routinely invited to Cuban diplomatic functions and that chartered flights that had brought supplies and confidential diplomatic materials would be prohibited.

Those actions followed a protest at the U.S. mission by several hundred thousand Cubans after it was alleged that a U.S. spy plane had flown over Cuban territory.

The relations between the countries began to worsen in 1985 when the United States initiated the Radio Marti broadcasts and Mr. Castro angrily suspended an immigration agreement that had been one of the few constructive achievements in U.S.-Cuban relations.

The Cubans have presented a series of documentary films and have published many photographs in the newspaper of the Cuban Communist Party, showing people who the newspaper identified as U.S. diplomats carrying, retrieving and leaving canvas bags, briefcases, a duffel bag and a backpack.

Life on the Mississippi Halted by a Traffic Jam

By Dirk Johnson
New York Times Service

BUFFALO, Iowa — In a rare twist of nature, a massive shifting sandbar has paralyzed traffic on the Mississippi River in this area, stalling hundreds of barges with millions of tons in cargo.

A dredging boat from St. Paul, Minnesota, moved downriver Friday to begin unblocking the navigational gridlock on the historic river, the busiest inland waterway in the United States.

Meanwhile, in an unmerciful heat wave with temperatures that exceeded 32 degrees centigrade (90 degrees Fahrenheit), the riverboat crews who push and pull the grains, ores and petroleum upstream and downstream killed time on the humid decks like modern-day Huck-leberry Finns. They played cards, reeled in catfish along the shore and swapped stories, some of them true.

"We don't have quite as much fun as he did, though," said Richard Miller, the second mate on the Robert A. Knoke, stalled tonight, alluding to the hero of Mark Twain's novel about life on the Mississippi River. Cleaning and painting chores, Mr. Miller said, filled some of the waiting time.

"But the river, it hasn't changed a bit," said Mr. Miller, a second-generation river man. "It's still got a mind of its own. And when it says, 'Stop for a while and be patient,' well then, that's what you do. And you know that everything will be O.K."

Commercial shippers, however, are losing millions of dollars in overtime pay, dock rentals, lost business and penalties for late deliveries caused by the sand blockage.

The incident is the first of its kind in more than 10 years on the world's third-longest river system. In an industry already slowed by

the oil slump and the agricultural recession, the blockage — occurring at the height of the shipping season as the busy river drains the Midwest's bulk goods out to world markets — poses more than simply an annoyance.

"Many of the Ma and Pa companies on the river have already gone out of business," said Commander Tim Josiah, the Coast Guard's chief officer on the Upper Mississippi. "And something like this could put others that much closer to going under."

The dredging boat, operated by 60 members of the U.S. Army Corps of Engineers, was expected to make the river passable for commercial vessels by early this week.

Working like a giant vacuum cleaner, the diesel-powered dredge sucks the packed dirt and sand through pipes and spits out the sediment at a disposal site on shore.

The sandbar stretches about 1,000 yards (912 meters) across the river. It was caused by a lack of rainfall, which has decreased the water depths in some spots from 10 feet (three meters) to seven feet, and by the unpredictably changing currents of the winding river.

The sand blockage, or shoal, was discovered on Sunday a week ago by the startled crew of a towboat that smacked bottom on its way from St. Paul to New Orleans.

With the barges idled, grain elevators, power plants and cement factories throughout the Midwest braced for problems caused by the shortage of supplies. Much of the grain going downriver is headed for New Orleans, where oceangoing vessels will carry it to countries around the world.

"If the farmers can't get their grain to market," said Commander Josiah, "their losses could eventually mean higher food prices for everybody."

Bring Back the Blimp? Some Navies Consider It

By Michael Richardson
International Herald Tribune

SYDNEY — Slow-moving airships, long regarded as dinosaurs of aviation history, have been resurrected as creatures of high technology that may become crucial elements of a defense screen against cruise missiles for the United States and other Western nations.

The U.S. Navy awarded a \$170 million contract in June for a 423-foot-long (127-meter-long) airship to Westinghouse-Airship Industries Inc., a joint venture between Airship Industries Ltd. of Britain and Westinghouse Electric Corp. of the United States.

The navy, which hopes to begin testing the airship, or blimp, in 1991, is considering building a fleet of as many as 50 manned airships. The fleet would be equipped with radar and other electronic gear to provide warships with more warning and better protection against

surface-skimming missiles of the kind that damaged the U.S. frigate Stark in the Gulf on May 17.

Westinghouse is to provide the radar, avionics and computers, while Airship Industries will assemble the blimp, cabin and associated equipment.

The French, Japanese, British and Australian navies have also shown interest in using blimps as early-warning radar platforms, and for maritime search and surveillance, anti-submarine warfare, command and communications, and mine-sweeping.

"There are so many things an airship could do for us," Rear Admiral Robert L. Leuschner, director of the U.S. Navy's air systems command, said in Washington last month.

The U.S. Navy is committed to buy only one but has options to buy five more for \$294 million.

The navy's test blimp, with a hull

displacement of 2.35 million cubic feet (70,500 cubic meters), will carry radar equipment inside the gas-filled envelope that keeps it aloft.

Like the blimps used with considerable success by the U.S. Navy in World War II to hunt submarines and escort convoys across oceans, today's airships are nonrigid and filled with helium, which is not flammable.

They make use of the latest technology, including high-strength polyester fabric for the envelope and lightweight composite materials containing very little metal for the cabin.

Carl Daley, operations manager of a company flying twin-engine airships in Australia, said he believed they could be made largely invisible as targets for radar-guided or heat-seeking missiles.

Mr. Daley, a former pilot in the Australian Navy, said the small engines of the airship gave it a low

infrared signature. All reflective parts would be protected by radar-absorbent materials, he added.

Mr. Daley and other proponents say that airships, operating as high as 10,000 feet above a naval flotilla and staying on station for several weeks at a time, would provide a much more extensive and reliable radar cover than is currently available from surface ships, helicopters and aircraft far out to sea.

They believe the blimps would give the fleet more than three minutes warning of incoming missiles, compared with less than 30 seconds for existing sea-level radar systems.

Admiral Leuschner said that the navy would probably not exercise its options for the five additional airships because it wanted an even bigger blimp for future use than the one being built by Westinghouse-Airship Industries.

However, he said that other U.S.

government agencies were interested in taking up the options.

Admiral Leuschner mentioned the Coast Guard, which is considering using airships for coastal patrol and intercepting drug smugglers, particularly in the Gulf of Mexico.

The admiral said the U.S. Air Force plans to test airships as part of a new air defense system for the continental United States.

Strategic analysts have said that the air force is concerned about a potential threat in the 1990s from supersonic cruise missiles launched from Soviet submarines off U.S. coasts.

However, warfare could hardly have been further away on an airship ride the other day over Sydney harbor.

That armchair tour on a clear winter's morning at 37 knots (43 miles an hour or 69 kilometers an hour), with eight fellow passengers, evoked an earlier age when travel was leisurely.

"This craft," said Anthony Buskariol, the senior pilot on board, "performs like a pleasure launch in the air."

Mr. Buskariol, who piloted fixed-wing aircraft in Australia for 10 years, made no secret of his belief in the airship's potential for carrying tourists in majestic style.

Alan Bond, the chairman of Airship Industries, said the U.S. military order opened up "immense possibilities for the next generation of large civil airships capable of carrying in excess of 200 passengers or more than 40 tons of cargo."

The era of giant airships offering safe travel over long distances ended in May 1937 at Lakehurst, New Jersey, when the Hindenburg, the pride of Nazi Germany, caught fire and crashed as it was docking in stormy weather. More than 30 of the passengers and crew on board were killed.

U.S. Units Raided Sandinists in '84, Paper Says

The Associated Press

MIAMI — Active-duty American soldiers under National Security Council control, unknown to Congress, fired rockets and machine guns at Nicaraguan troops twice in 1984 to protect U.S. Navy saboteurs, The Miami Herald reported Sunday.

The newspaper said that helicopter pilots from a U.S. Army commando unit called Intelligence Support Activity flew anti-Sandinist forces inside Nicaragua in 1983 and 1984.

The Herald article indicated that the National Security Council, bypassing normal government channels, controlled the network of secret military units and private contractors, using Lieutenant Colonel Oliver L. North as its chief operative.

The Herald said that its report was based on interviews with organizers and participants.

On two occasions in 1984, the commando unit provided covering fire with rockets and machine guns to protect the saboteurs' retreat against entrenched Nicaragua

defenders, participants and planners told the newspaper.

At the time, the Reagan administration strenuously denied any U.S. military presence in Nicaragua.

Colonel North wrote his boss, Robert C. McFarlane, in a March 2, 1984, memo that "in accord with prior arrangements," the U.S.-supported Nicaraguan rebels, known as contras, "took credit for the operation."

Mr. McFarlane was then President Ronald Reagan's national security adviser.

Describing the procedure used in about a half-dozen assaults, the Herald said that a navy commando team would be ferried from a

U.S. ship by Task Force 160 helicopters carrying navy assault boats in underbelly slings.

Light-attack helicopters based on the mother ship were armed with rockets and machine guns to protect the saboteurs.

"You don't think we would have gone to all that trouble for a bunch of contras, do you?" asked a former pilot, who was not named by the Herald.

Former members of the Intelligence Support Activity said that they had preserved secrecy by training at nonmilitary facilities, wearing civilian clothes and using unmarked equipment bought outside government channels, the paper said.

U.S. ship by Task Force 160 helicopters carrying navy assault boats in underbelly slings.

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Crash Kills 8 Polish Children

Reuters

WARSAW — Eight children in a group returning from summer camp in southeast Poland were killed Saturday night when a bus veered across the road and crashed into the campers' bus, the official PAP news agency said.

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27 July 1980
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Herald INTERNATIONAL Tribune

He Led, They Did the Rest

Secretary of State George Shultz put a critical piece of a still-incomplete Iran-contra puzzle into place with his testimony last week. "I don't know where anybody got that idea," he said, "that the president just sits around not paying attention. He's a very strong and decisive person."

Go Calmly in the Gulf

Despite the mine damage to the tanker Bridgeton and the allegations from Tehran, Washington does not have to turn injury into disaster. By refraining from retaliatory action, the administration can ensure that the ayatollahs are not diverted from contemplating their present predicament and the desirability of a cease-fire.

This Land Is Your Land

The period of great drama in the Philippines turning on the removal of the Marcos regime and the triumph of Corason Aquino is yielding to a stage in which public life will fit on economic issues that are less likely to draw close foreign inspection.

Other Comment

The Greater Value of Zero For a deal so often heralded, the zero option is a long time coming. Even last week's initiative by Mikhail Gorbachev does not mean agreement is around the corner.

Mideast Peace Talks: Prescription for War?

By Moshe Arens

The writer, a former defense minister of Israel, is now a minister without portfolio. He is a member of the Likud Party.

JERUSALEM — An international conference on the Middle East with Soviet participation, widely touted as the only avenue to peace between Israel, Jordan and the Palestinians, is an ill-conceived idea. It cannot provide the proper framework and the pressure-free atmosphere needed to resolve what is not merely a question of territory and borders but of Israel's very existence.

Israel would come under enormous pressure in an international conference to yield to demands that threaten its existence.

Israel is in the United States that the only desirable format for peace negotiations was direct talks between the parties to the conflict. It is not only a reasonable, unimpeachable position but one of particular pertinence in the context of the Arab-Israeli conflict.

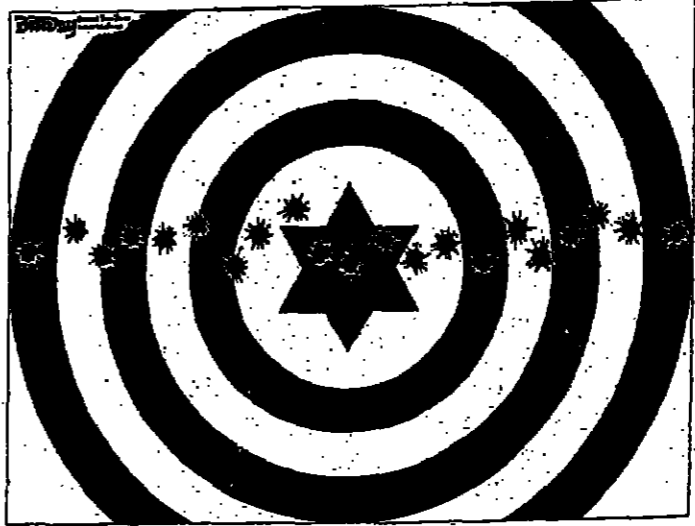
How Brezhnev Offered to 'Split the World' With Nixon

By C.L. Sulzberger

This is the first of two articles.

BEFORE President Nixon began his negotiations with Moscow, he had been thoroughly briefed by his White House experts, who reinforced his view that the Soviets respected power and understood military strength best. They could not comprehend restraint, which perplexed them, and allowed them to conclude there was room for them to advance their interests.

OPINION



et Union. The United States has kept on good terms with both sides. In the 1970s, it successfully concluded interim agreements between Israel and Egypt, Israel and Syria and, of course, the Israel-Egypt peace treaty.

14 Years On, Russia Turns Kissingerian

By Jim Hoagland

MOSCOW — "Henry, you are trying to shut us out of the Middle East," Andrei Gromyko said to Henry Kissinger at the short-lived Geneva peace conference of December 1973 convened.

Shultz Strikes a Blow for Accountability

By James Reston

WASHINGTON — At the end of these past two weeks of the Iran-contra hearings, the mood in Washington is much better than it was at the beginning. Secretary of State George Shultz lanced the poison. He told an alarming story of corruption at the top of the government, and by letting it all out he somehow managed to restore a sense of truth and purpose to the proceedings.



Drawing by Charles R. May (CWM) syndicated by The New York Times.

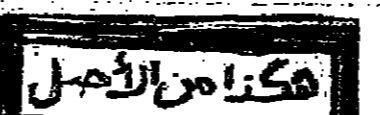
The View From Latin America

LIVER North was certainly right on one point. America's enemies and allies, its friends and neighbors have all been watching the congressional hearings on the Iran-contra affair. What they are seeing, at least as viewed from Latin America, is not a happy sight.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: The Emperor Is Ill TOKIO — Dr. K. Miura, Professor of Clinics at the Imperial University of Tokyo, who is attending the Emperor as a specialist, received Mr. (on July 26) in his private laboratory upon his return from the Imperial Palace. He states that the Emperor is suffering from a complication of diabetes, chronic Bright's disease, and myxema. The symptoms of the first diseases were perceived in 1904 and 1906. Professor Miura declined to disclose the nature of the internal treatment prescribed. Enormous crowds have gathered in front of the palace, telling their beads and praying. Evidence of the deep anxiety felt by the people is afforded by the fact that 6,000 persons signed their names in the visitors' book at the Palace this morning, while thousands more called this afternoon. The worse is feared at any moment.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1936-1982 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairman LEE W. HUEBNER, Publisher JOHN VINOCUR, Executive Editor WALTER WELLS, Editor SAMUEL ARI, KATHERINE KNORR and CHARLES MITCHELME, Deputy Editors CARL GEWIRTZ, Associate Editor ROBERT J. DONAHUE, Editor of the Editorial Pages RENE BONDY, Deputy Publisher ALAIN LECOUR and RICHARD H. MORGAN, Associate Publishers FRANCOIS DESMAISONS, Circulation Director ROLF D. KRANEPHIL, Advertising Sales Director International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France. Tel: (1) 46.37.93.00. Telex: Adverding, 612395. Circulation, 612872; Editorial, 612718; Production, 630698. Directeur de la publication: Walter N. Thayer Editor for Asia: Michael Richardson, 5 Cantonment Rd., Singapore 0511. Tel: 472-7108. Telex: RSS6208 Managing Dir. Asia: Malcolm Glenn, 50 Gloucester Road, Hong Kong. Tel: 3-601016. Telex: 61170 Managing Dir. U.K.: Robin Mackenzie, 40 Long Acre, London WC2E. Tel: 836-8000. Telex: 262009 Gen. Mgr. W. Germany: W. Lauerbach, Friedrichstr. 15, 6000 Frankfurt/M. Tel: (089) 736752. Telex: 416721 Pres. U.S.: Michael George, 239 Third Ave., New York, N.Y. 10010. Tel: (212) 751-3892. Telex: 421719 S.A. en capital de L. 1.910.000 F. RCS Nanterre B 73202126. Commission Paritaire No. 61337 © 1987, International Herald Tribune. All rights reserved. ISSN: 0294-3022



14 Years On... Russia Turn... Kissinger...

U.S. Has No Minesweepers Near Gulf

Navy Operates Only 3, While Soviet Uses Them Widely

By John H. Cushman Jr. New York Times Service

WASHINGTON — When the detonation of a mine sent a shock wave through an American convoy in the Gulf last week, there were no American minesweepers anywhere in the region.

GULF: U.S. Delays Return Convoy

(Continued from Page 1) and Saudi Arabia would be asked to send minesweepers into the Gulf to guard future convoys.

DESIGN: Hot Couture

(Continued from Page 1) the finale that it was impossible to hear the music that accompanied the showing.

With the collection, Lacroix paid homage to the Camargue region of southern France and his native city of Arles.

The backdrop for the show featured a poetic re-creation of the Camargue marshlands. Amid that design, Lacroix brought onstage three young women who were presented as the queen of Arles and her two attendants.

Several of his themes were introduced in the show are bound to be heavily copied. One was that of the sophisticated Parisienne, featuring the use of black trimmed with black braid and black fringe.

His now-famous sense of humor was another saving grace. On the back of a black coat, he attached a whole tail.

Rope belts circled tweed jackets, and twigs stuck out of sophisticated black velvet platter hats.

Despite the frivolousness of this collection, there was a serious, religious overtone as the models wore big gold crosses on black ribbon, and demure, pushed-up chignons circled by black satin.

High points included a short mink coat with honey-colored satin sleeves; quilted suits made of Provencal cotton; a short, black-lace Marie Antoinette-inspired dress; and a three-color satin dress, finished with a witty pink satin bow in the back.

Details included black velvet chenille braid, with which Lacroix circled a white short coat. The same chenille, but in hot pink and red, also appeared on a long moiré skirt under a lavishly embroidered bullfighter's bolero.

Jewelry was made of gold-painted clay and included drop earrings shaped as hearts.

Except for one really mad hat — two doves sitting on their nest atop a black velvet platter hat — Lacroix was quieter in this department than usual.

At the second showing, lost between Paloma Picasso and Pierre Bergé — Yves Saint Laurent's business partner who sponsored Lacroix's entrance to the Chambre Syndicale — was Lacroix's mother, who was seeing his collection for the first time.

Asked how she felt about her son, she said: "As usual, I think he has a lot of talent but that he's still very simple." She shrugged. "You know," she said, shrugging her shoulders. "I'm from Arles."

As for the nice but simple beige poplin suit she was wearing, "No," she said, "my son did not design it. Will I dress with him now? Maybe. Why not since he has his own house?"

Officials said the more likely response to the incident would be to use Saudi Arabian minesweepers to clear shipping channels and perhaps to deploy American helicopters to assist.

CONTRA: Aide's Notes Show President, Fearing for Hostages, Led Drive to Conceal Iran Arms Deal

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At a Nov. 25 news conference introduced by Mr. Reagan, Mr. Meese made several misstatements about 1985 arms-for-hostages transactions between Israel and Iran.

On Nov. 18, the White House announced that there would be no more arms sales to Iran. But the president continued to make it clear that he had not given up hope of securing the release of American held hostage by pro-Iranian groups in Lebanon.

And Mr. Reagan did not order the closing down of the "second channel" to Tehran — a reference to a relative of the speaker of the Iranian assembly, Hashemi Rafsanjani — that Lieutenant Colonel North, under Admiral Poindexter's direction, had opened.

On the 20th, Mr. Shultz testified, Mr. Reagan appeared unmoved by the arguments the secretary of state made that the policy could only be viewed as "arms for hostages" and was a disaster that had to be disavowed publicly.

At the time, according to a memorandum for the files written by Mr. Shultz, the Rafsanjani representatives were "communicating directly with CIA Director Casey."

On Nov. 23, with the Iran-contra operations unraveling, Mr. Casey suggested in a letter to the president that he dismiss Mr. Shultz.

Mr. Reagan did not take that advice. The next day, Mr. Meese informed him of the discovery that Admiral Poindexter and Colonel North had been involved in diverting arms sales proceeds to the Contras.

On Nov. 25, Admiral Poindexter resigned and Colonel North was dismissed. A presidential spokesman announced that Iran policy was being shifted from the National Security Council to the State Department.

However, Mr. Casey continued to use his access to the president to pursue the Iranian connection.

In early December, the State Department learned that a Central Intelligence Agency official was to meet with the Iranians in Frankfurt. The State Department decided to use that meeting to inform them that there would be no further arms sales and to make it clear that the CIA would no longer discuss policy with them.

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ships had talked of mines as a danger. They offered no explanation for the Bridgeton's hitting one.

It also has been discovered that a Libyan bulk carrier, thought to have been involved in putting mines in the Red Sea several years ago, was in the area at about the time the mines were laid near Kuwait. But officials discount somewhat the likelihood of its involvement with the mines.

The U.S. Navy has 23 Sea Stallion anti-mine helicopters that could be deployed to clear a channel, but they would need either a base in Kuwait or a ship to use as a landing platform.

Pentagon programs to build new minesweepers have suffered technical setbacks and other delays.

The first of a new class of U.S. minesweepers, the Avenger, is to be completed in September. A small contingent in the navy that backs greater anti-mine capability complains, to no avail, that one of the simplest forms of warfare gets scant attention.

The Soviet Navy pays great attention to minesweeping in the Gulf, where the Reagan administration is seeking to prevent an expanded Soviet role, the Soviet ships are mainly minesweepers that are barely armed in comparison with the U.S. escort warships.

Recent intelligence indicates that an Iranian ammunition ship, the Sirjan, operating out of the port of Bushire, near Kharg Island, is capable of laying mines. The ship was in the area when the mines appeared.

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Since taking power in March 1985, Mr. Gorbachev has called for fundamental changes in Soviet society and the economy, and has promoted a policy of dialogue and public criticism on some topics.

One bystander, a Leningrad woman, said, "This is the first time this has happened," adding: "It's good to see a demonstration on Red Square."

The demonstrators stayed overnight at the foot of St. Basil's Cathedral, built by Ivan the Terrible in the 16th century to commemorate his victory over the Mongols, who were ancestors of the protesters.

When the demonstration began Saturday, the protesters chanted, brandished their fists and held banners and portraits of Mr. Gorbachev and Lenin to press their demands.

The police prevented them from marching past St. Basil's into the main part of Red Square, where Lenin's tomb is located.

The demonstrators were watched by a large crowd of bystanders, including many foreign tourists from the adjacent Rossiya Hotel. Some Soviets shouted insults at the demonstrators.

Police seemed reluctant to forcibly evict the protesters. Several hours after the rally began, it eased into a stalemate and a core of Tatars settled in for the night.

The authorities brought in unmarked buses early Sunday and tightened their cordon around the protesters. The activists began chanting again, but stopped when it became apparent that the police were not preparing to move against them.

News of the demonstration was carried on Radio Moscow's English-language broadcast but was not reported by the official Tass news agency.



Representative Stephen J. Solarz greeting President Corazon C. Aquino at a luncheon Sunday. The New York Democrat is in Manila for the opening of the Philippine Congress.

TATAR: Rare Kremlin Demonstration Tests Tolerance

(Continued from Page 1)

Tatars, residents of the Crimean Peninsula who were accused of collaborating with the Nazis during World War II. They were deported in 1944 to Siberia, Uzbekistan, Kazakhstan and the Ural Mountains.

The Tatars, who number 250,000 to 330,000, are seeking permission to return to the Crimea.

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New Congress in Manila Signals a Shift of Power

By Keith Richburg Washington Post Service

MANILA — A new Philippine Congress officially opens Monday under heavy security precautions, marking the next-to-last step in the country's return to political normalcy and its delicate passage from dictatorial rule to democracy.

All that remains for that passage to be completed is for the country to conduct local elections to replace the thousands of appointed mayors, governors and council members around the country who are holding the jobs on an interim basis.

On Sunday, President Corazon C. Aquino set the date of the local elections for Nov. 9. The announcement was one of 42 presidential decrees she issued on her final day of governing with near-absolute powers before the Congress convenes.

The period of executive rule followed Mrs. Aquino's abolition of the old legislature in March 1986.

The House of Representatives, with 200 elective seats, and the 24-member Senate — both led by veteran lawmakers from past legislatures — are expected to quickly assert their independence from Mrs. Aquino as they try to redefine the balance of power and seize the initiative from the presidential palace.

Despite being allies of Mrs. Aquino and having served in her cabinet, the president of the Senate, Jovito Salonga, and the speaker of the House, Ramon Mitra, both have outlined their own legislative agendas.

Some analysts said the assertive mood of the new Congress is a reaction to the past abuse of the legislature by the deposed president Ferdinand M. Marcos. One editorial Sunday said he had turned the national legislature into a "national kennel."

Amado Doronila, a columnist for the Manila Chronicle, wrote recently: "If President Aquino does not beware, she may soon find that the initiative to lead the nation will be grabbed by Congress."

Mrs. Aquino herself seems not to mind the emergence of Congress as a new power center under the country's new U.S.-style constitution, which was approved in a plebiscite in February. She has deferred to

the upcoming Congress on several major issues, including key details of her newly unveiled program of land reform.

In the last few days, however, Mrs. Aquino has used her presidential decree-making powers to push through more than 60 new measures. Besides the land-reform plan, these include increasing the maximum penalty for rebellion from 12 years to life in prison, which had been demanded by the military, and creating a volunteer citizens army of reservists to supplement the armed forces.

Another decree revives an old subversion statute that refers to the Communist Party of the Philippines as "an organized conspiracy to overthrow the government." The new decree refers to the party specifically by name, as the existing statute did not.

Congress could in effect overturn those executive decrees by passing its own laws.

Despite the presence of many legislative veterans in the new Congress, this one will be the youngest in history; more than two-thirds of its members will be newcomers in the political arena.

But in other important ways the Congress seems a throwback to the old politics.

Old politics versus the new demand for modernity already has provided the first major source of internal tension in Congress. It surfaced during debates over the selection of leadership and the powerful committee chairmanships.

Mr. Salonga and Mr. Mitra both are old-school politicians, and they already have been criticized by the new, young reformists for filling key positions through back-room deals instead of open competition among the members.

Mrs. Aquino is scheduled to deliver a state-of-the-nation address to a joint session of the Congress late Monday afternoon. Many foreign dignitaries arrived in Manila over the weekend to attend the event.

The military, fearing possible attempts to disrupt the opening of Congress, has placed forces on maximum alert in the city and in surrounding provinces. Naval forces also were reported to be on alert in case of terrorist attacks on Manila's ports and harbors.

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DOONESBURY



FOR TWO ASTONISHING WEEKS, HE HAS ENJOYED THEM. JUST AS QUICKLY AS HE ENJOYED THEM, HE HAS ENJOYED THEM. HE HAS ENJOYED THEM. HE HAS ENJOYED THEM. HE HAS ENJOYED THEM.



SOME SOURCES SPECULATE THAT THE WIFE OF THE PRESIDENT IS SIMPLY IN REMISSION, RECHARGING HIS BATTERIES. AS IT WERE.



WHERE DOES A DIGITAL ANOMALY SEND ITS DOWNTIME BELL, JUST AS NIXON HAD HIS BEER REBELL, ITS THOUGHT THAT HEADSET LINES TO CHILL OUT ON THE TV SET OF A TOTAL NON-ENTITY.



Y-PERSON? CAN HE TALK? NO!!

TAMIL: Main Rebel Group Balks at Peace Proposals

(Continued from Page 1)

kataraman was sworn in as India's president, replacing Zail Singh, who had become a political thorn to Mr. Gandhi.

Following months of political setbacks, Mr. Gandhi's aides have expressed hope that Mr. Venkataraman's inauguration and a cabinet shuffle that followed may begin to improve the government's domestic position.

In his first act as president, Mr. Venkataraman officiated at the swearing in of a top Gandhi political aide as the new minister for steel and mines.

The rest of a much-discussed cabinet shuffle, however, was largely housekeeping to replace ministers who quit to protest Mr. Gandhi's perceived failure to respond vigorously to charges of corruption. Under the reorganization, Mr. Gandhi will become foreign minister.

The scope of the changes was far more limited than Mr. Gandhi's aides had been hinting only a week ago, leaving observers to speculate that the prime minister may be having difficulty with a broader reorganization.

Speaking to journalists Sunday, Mr. Gandhi said more changes would come after the next session of Parliament.

Police Block Protesters The police blocked 12,000 right-

ist protesters from reaching Mr. Gandhi's residence on Sunday, The Associated Press reported from New Delhi, quoting policemen and witnesses.

"Police clubbed our men and told us we cannot go to Mr. Gandhi's house," said Vijay Kumar Malhotra, secretary of the Bharatiya Janata or People's Party.

The party organized the march to protest corruption in the government and attacks on politicians opposed to the prime minister.

The People's Party is one of the three rightist national opposition parties and the most vocal critic of Mr. Gandhi. The party has 11 members of Parliament.

WORLDWIDE ENTERTAINMENT

Advertisement for Eileen Atkins, Edward Fox, Michael Gough. "Let us go then, you and I" A celebration of THE LIFE AND POETRY of T.S. ELIOT. Narrated by PETER ACKROYD and JEAN MARSH. "They queued and fought for tickets"

INTERNATIONAL POSITIONS

You will find below a listing of job positions published last Thursday under the rubric International Positions.

Table with 3 columns: TITLE, SALARY, EMPLOYER. Includes positions like GRAPHICS / DESIGN ASSISTANT, RESERVOIR ENGINEER, INFORMATION OFFICER.

If you haven't seen last week's INTERNATIONAL POSITIONS rubric, please ask for a free copy: Max Ferrero, INTERNATIONAL HERALD TRIBUNE, 92521 Neully Cedex, France. Tel: (1) 46.37.93.81. Telex 613395

ESORTS & GUIDES section listing various travel agencies and services across different cities like London, Paris, Zurich, etc.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277. Prices may vary according to market conditions and other factors.

July 26

Dollar Straights

Table of Dollar Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various bond types like Australia, Canada, France, Japan, etc.

DM Straights

Table of DM Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various bond types like Austria, Belgium, Denmark, etc.

DM Zero Coupons

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ECU Straights

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Euromarkets At a Glance

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Chicago Exchange Options

Table of Chicago Exchange Options, including columns for Option & Price, Calls, Puts, and various stock options.

Dollar Zero Coupons

Table of Dollar Zero Coupons bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various bond types like Australia, Canada, France, etc.

NYSE Most Actives

Table of NYSE Most Actives, including columns for Vol, High, Low, Last, and various stock symbols.

AMEX Most Actives

Table of AMEX Most Actives, including columns for Vol, High, Low, Last, and various stock symbols.

NYSE Diaries

Table of NYSE Diaries, including columns for This Wk, Last Wk, and various stock symbols.

Wall Street Review

Wall Street Review text, containing market analysis and news.

NYSE Diaries

Table of NYSE Diaries, including columns for This Wk, Last Wk, and various stock symbols.

AMEX Diaries

Table of AMEX Diaries, including columns for This Wk, Last Wk, and various stock symbols.

AMEX Sales

Table of AMEX Sales, including columns for Sales Vol, and various stock symbols.

EUROBONDS

Mixed Reviews for Plan To Repackage Perpetuals

By CARL GEWIRTZ
International Herald Tribune
PARIS — Financial institutions sitting on large amounts of perpetual floating-rate notes, which have become illiquid following the collapse of that sector of the Euro-bond market late last year, were offered a novel formula last week to transform their holdings into a package of dated FRNs and shares.

The complex proposal — made by Schroder Wagg, the British merchant bank, in conjunction with Salomon Brothers and Nomura Securities — drew mixed reviews. Competitors praised the concept, saying it was very clever. But they complained that it was too expensive to have wide appeal — a view that Schroder officials challenged.

The proposal aims to resolve several problems at the same time. Most important, it would transform securities that currently are more akin to preferred stock into debt securities having a finite life. Perpetuals, as the word indicates, are never repaid. Principal on the new securities would be repaid in 28 years.

In addition, for investors, the transformation would change the status of the perpetuals from primary capital notes to ordinary securities. Perpetuals were issued almost exclusively by banks that wanted to increase their capital but were unwilling or unable to issue new shares.

In all but name, the perpetual FRNs were shares: There is no obligation for the issuer to redeem the paper, and the floating-rate interest under certain circumstances may be omitted. Perpetuals came into vogue in 1984, despite a reminder by the Bank of England that any bank in its jurisdiction holding such paper would have to reduce its own capital by an equal amount. Its aim was to prevent a pyramiding of securities in the capital available to the banking system to meet unexpected emergencies.

NEVERTHELESS, perpetuals were popular. Some \$18 billion was sold, largely to banks in Japan, thanks to the fact that the interest — the margin over the London interbank offered rate, or Libor — was higher than on ordinary FRNs that had a fixed redemption date.

That popularity evaporated late last year. The Bank of England and the U.S. Federal Reserve began discussing harmonizing definitions of what constitutes bank capital and how to measure whether it was adequate. Their agreement has not yet been formalized as they seek to establish rules that are acceptable to other national supervisory authorities.

But the attempt to establish common rules provoked fears that the Bank of Japan would adopt the Bank of England's policy of "shaving" of capital for banks holding other banks' capital notes. That led to heavy selling of perpetuals, a sudden awareness that they are fundamentally different from standard FRNs and a collapse in prices. Most market-makers withdrew from the business, destroying the liquidity of that sector of the market.

The Schroder proposal directly addresses the reserve requirements aspect. The securities to be issued in exchange for the perpetual FRNs would not be considered primary capital notes and could carry a capital weighting of between 2 and 10 percent from the Bank of England, instead of 100 percent. A 10 percent weighting is expected.

This is significant for Japanese banks that fear similar capital ratio rules will emerge in Tokyo. The Schroder proposal could be especially appealing if they calculate that the cost to sell their perpetuals to the new special-purpose company, Security Investment Holdings, is less than the cost of raising new capital and reserving 100 percent against their existing holdings of perpetuals.

Schroder is initially seeking up to \$1 billion nominal amount of perpetuals in exchange for FRNs and shares issued by SIH. The perpetuals would be exchanged for 28-year floating-rate notes paying 30 basis points, or 0.30 percent, over Libor. The new floaters would be rated triple-A. They would be secured by zero-coupon bonds of the U.S. Treasury or the World Bank which, after 28 years, would generate the income to redeem the FRNs.

The interest payments on the new FRNs would be financed by the income earned on the perpetuals. In addition, an insurance company, Financial Security Assurance, would provide a guarantee on the payment of interest.

Along with the FRNs issued by SIH, institutions agreeing to the swap would also receive shares in SIH. That company will continue to own the perpetuals after its own 28-year FRN has been redeemed. The continuing income generated by the perpetuals would then be paid to the shareholders as dividends, or the shareholders could decide to sell the company (to an insurance

See EURO BONDS, Page 9

Currency Rates table with columns for City, Currency, and Rate.

Other Dollar Values table with columns for Country, Currency, and Value.

Last Week's Markets table with columns for Index, July 24, and July 27.

Money Rates table with columns for Instrument, Rate, and Date.

UAW Faces GM, Ford Primary Issue For Contract Is Job Security

By John Holusha
New York Times Service
DETROIT — Job security for nearly 500,000 unionized U.S. car industry workers threatened by foreign competition and cost-cutting will be the main issue when the United Automobile Workers begins national labor bargaining Monday with two major U.S. automakers.

General Motors Corp. will begin the contract talks. On Tuesday, Ford Motor Co. is to start a similar seven-week round of bargaining.

Union concern over workers' futures was highlighted last week when GM announced permanent layoffs for 3,000 workers at factories in four states later this year because of slow car sales.

The UAW represents 350,000 workers at GM, 110,000 at Ford and about 50,000 laid-off members with re-employment rights.

Current contracts expire on Sept. 14. GM and Ford are determined to resist new contract agreements that would raise basic labor costs much beyond the current \$25 an hour in wages and benefits, sources close to the talks say.

The companies also plan to oppose any move to limit their streamlining operations, especially freedom to buy parts from low-cost outside suppliers in the United States or abroad.

Unions Bargain for Guaranteed Employment

By John Holusha
New York Times Service

DETROIT — By Christmas, David Sole expects to lose the job he has held for 16 years at General Motors Corp.'s antiquated Fleetwood plant in southwest Detroit. GM is closing the 70-year-old auto plant and laying off 3,000 workers as part of its effort to eliminate older, inefficient factories.

Mr. Sole is bitter at the prospect of being tossed aside in the company's drive for higher profits. But he and other auto workers facing the same fate have a new reason for hope.

When their union, the United Automobile Workers, begins bargaining for new labor contracts with GM and Ford Motor Co. this week, it plans to demand that the companies guarantee employment to workers during the life of the new contracts.

Although the union does not seek to preserve each existing job at each plant, it does want the companies to guarantee work, in some form, for its members.

The ultimate goal is lifetime employment security, subject to renewal with every contract.

A relatively small number of workers in U.S. industries that range from telecommunications to farm equipment to steel have begun to demand, and even to win, such guarantees.

A victory in the trend-setting automobile industry would undoubtedly turn what has been a minor crusade into a major effort.

"Guaranteed employment is a concept whose time has come," Owen F. Bieber, president of the UAW, has declared. "We're going to tell the employers they must guarantee the jobs of their existing work force and maintain a strong manufacturing base here in America."

Outside of union circles, there is a heated debate about whether guaranteed employment is good for industry.

Many business executives and economists argue that employment security would interfere with a free-market economy. With so many domestic industries facing worldwide competition, they warn, such job protection could spell disaster for companies with bloated work forces.

Only companies that have already pared their payrolls to the bone can afford to guarantee employees to work harder and also save on hiring and retraining costs over long periods of time, said D. Quinn Mills, a professor at the Harvard Graduate School of Business Administration.

Although "it takes a lot of commitment and discipline on the part of management to make em-



David Sole, who expects to lose his job soon when GM's Fleetwood plant closes.

ment guarantees would interfere with a free-market economy. With so many domestic industries facing worldwide competition, they warn, such job protection could spell disaster for companies with bloated work forces.

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Although "it takes a lot of commitment and discipline on the part of management to make em-

ployment, these specialists contend. But others note that some of the most successful U.S. companies, such as International Business Machines Corp., have had policies of no layoffs for decades.

And Japan's commitment to lifetime employment for many workers is considered a factor in that country's economic success.

A policy of no layoffs motivates employees to work harder and also saves on hiring and retraining costs over long periods of time, said D. Quinn Mills, a professor at the Harvard Graduate School of Business Administration.

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Africans Seek Talks On Debt

Say West Callous About Burden Of \$200 Billion

ADDIS ABABA, Ethiopia — African foreign ministers have called for an international conference to discuss the continent's \$200 billion foreign debt, according to sources at their meeting here.

The ministers, preparing for a summit meeting of the Organization of African Unity in Addis Ababa this week, on Friday instructed the OAU secretariat, the UN Economic Commission for Africa and the African Development Bank to set up such a conference as soon as possible, the sources said.

The ministers also said African countries should spend no more than 20 percent of export earnings on debt service. Africa as a whole paid creditors \$19 billion in 1986, about 42 percent of the \$44 billion the continent earned from exports.

The ministers dropped plans to ask their creditors to waive all the debt by converting it into grants.

The foreign ministers expressed disappointment over what they termed a lack of concern shown by Western industrial countries about Africa's debt, the sources said.

Still, creditor governments in the so-called Paris Club have recently granted rescheduling of official debt on very favorable terms to Zaire, Uganda, Mauritania and Mozambique, under an easier policy toward the poorest states.

The African ministers decided the debt conference should also discuss such issues as the collapse of commodity prices, the deteriorating terms of trade of African countries and protectionism in the industrial world, the sources said.

The effect of deliveries to the North Sea was 7 percent, and of other industrial orders, just 1 percent," he said.

Haakon Lavik, a spokesman for Norsk Hydro A/S, the big energy, metals and chemicals group, said, "The investment level for the second half of 1987 and the first half of 1988 is relatively low compared to the levels that Norwegian society is used to."

However, because of the long-term nature of offshore development, a few early starts would raise the "peak" forecast for the early 1990s even higher.

One such project is the Snorre field, operated by Norway's Saga Petroleum. "It was declared commercial this spring," said Per Fjermestad, Saga's financial director. "The total investment by the consortium will be 30 billion kroner, of which half will be invested before 1992."

"The government looks at the total figures, and that's the reason for their concern," he said. "But we expect approval."

Norsk Hydro's Oseberg Nord field is one project the government would like to see speeded up to fill the potential 1988-89 gap, but the effort has been slowed by bickering about whether the new, more favorable tax regime should apply.

At one point this spring, Norsk Hydro said it would stop development unless the project was given tax concessions available for projects launched after Jan. 1, 1986.

By saying it would come up with a plan for developing Oseberg Nord this fall, Norsk Hydro, in the words of one observer, "decided to grit its teeth and go ahead anyway."

Norway Fears Tax Break May Spur Too Much Drilling, Hurting Economy

By Juris Kaza
International Herald Tribune

OSLO — A year ago, as falling oil prices led to fears for the future of North Sea energy exploitation, Norway's government moved quickly to create tax incentives to encourage oil field development.

Now, the worries have turned 180 degrees. Economists are concerned that there may be too much drilling toward the end of the decade, aggravating inflation, labor shortages and dependence on the oil sector.

Last summer, the worry was that there wouldn't be any decisions to develop oil fields," said Einar Helle, chief spokesman for Norway's Ministry of Petroleum and Energy.

"That was the main reason we changed the tax regime. Now we have a queue of projects. All the operators want to do something now,"

He conceded that, in retrospect, the oil tax reforms, along with rising oil prices, could be said to have overstimulated offshore investments.

Mr. Helle said that annual investment in North Sea development, now running at considerably less than 30 billion kroner (about \$4.43 billion) per year, could rise to 40 billion kroner or more in the early 1990s if all the operators' plans were fulfilled.

Previous estimates, the energy ministry spokesman said, had been for around 30 billion kroner per year.

Mr. Helle hinted that the government may exercise its right to delay projects to prevent an investment boom in the late 1980s and early 1990s.

Such a boom could lead to most of Norway's known oil reserves being pumped dry by the turn of the century.

One oil specialist at a Norwegian bank disagreed that tax incentives had been the most important factor in the looming investment boom.

The analyst, who asked not to be identified, said the main factor was lower prices for oil-field equipment, which had led to oversupply.

This had been caused, he said, by plummeting oil prices, which had forced oil companies to drive hard bargains with offshore suppliers and service companies.

Still, the most immediate problem is a possible dip in investments in 1988-89 that could be avoided by authorizing some new projects or accelerating others.

While economists are not always happy with Norwegian industry's dependence on orders from the energy sector, they agree that boosting offshore activity is the quickest way to boost key industrial sectors.

"Total manufacturing in Norway grew 8 percent from 1980 to 1986," said John Rogne, an economist at the Norwegian Industry Federation.

"The effect of deliveries to the North Sea was 7 percent, and of other industrial orders, just 1 percent," he said.

Haakon Lavik, a spokesman for Norsk Hydro A/S, the big energy, metals and chemicals group, said, "The investment level for the second half of 1987 and the first half of 1988 is relatively low compared to the levels that Norwegian society is used to."

However, because of the long-term nature of offshore development, a few early starts would raise the "peak" forecast for the early 1990s even higher.

OPEC Is Said to Exceed Quota, Depressing Prices

Increase Laid to Kuwait, U.A.E., Iraq

NEW YORK — OPEC's oil output is above 18 million barrels a day and may be near 19 million, the highest level since last August and as much as 2.3 million barrels over its quota, according to analysts.

Peter Butel, oil analyst with Eiders Futures Inc., said, "Highly placed sources within OPEC are telling us that their recent production is about 18.9 million barrels a day."

The current quota of the Organization of Petroleum Exporting Countries is 16.6 million a day.

That quota, announced July 27, is a slight increase from a previous quota of 15.8 million barrels, and was designed to protect OPEC's \$18-a-barrel benchmark price.

Analysts said the higher production had contributed to the factors that drove prices down by \$1.40 a barrel last week.

At the close of trading Friday on the New York Mercantile Exchange, West Texas Intermediate crude for September delivery was quoted at \$20.55, down 68 cents, and more than \$1.30 below a week earlier.

Joe Stanislaw, managing director of Cambridge Energy Research Associates, said he estimated that weekly OPEC output was now averaging 18.6 million to 19 million barrels a day.

He said the increased production was a reaction to recent higher prices and tension in the Gulf.

Last Monday, the Middle East Economic Survey estimated July production at 18.6 million barrels a day. Mr. Stanislaw said his research group estimated output at 18 million to 18.5 million for July.

Analysts and company officials, who asked not to be named, said much of the increased OPEC output was coming from Kuwait, the United Arab Emirates and Iraq, with Iraq at its quota level.

The analysts estimated Kuwaiti output at 2 million barrels, against a quota of 0.996 million; the U.A.E. at up to 1.5 million, against a quota of 0.948 million; and Iraq at about 2.4 million, against a deemed quota of 1.54 million.

Iraq refused to sign the latest quota agreement after it was denied a demand for production equality with its war rival, Iran.

Mr. Butel said that rising production represented OPEC's reaction to the rise in oil prices of the past few months and an attempt to cash in on that before prices ease.

"They are taking advantage of the higher prices and can say in their own defense that, with spot prices well above the official prices, this really does not represent a breakdown of discipline," he said.

David T. Mizrahi, editor of Middle East Report, said the rising production was the first fruit of the UN Security Council's resolution last Monday calling for an immediate cease-fire between Iraq and Iran.

"With the resolution," he said, "there is a halt in the Gulf and it stands to reason that every producer will pump more oil than ever because it is unlikely that Iran will attack any tanker now with the world looking on."

OPEC Chairman in Japan
Riwana Lukman, the chairman of OPEC and Nigeria's oil minister, arrived in Tokyo on Sunday for talks with ministers and oil company officials, according to an Associated Press report from Tokyo.



Riwana Lukman

Army Warns on Jakarta's Tight-Money Policy

JAKARTA — Indonesia's armed forces have sounded a warning about flagging business prospects after the central bank reined in money supply to quash currency speculation.

Members of the armed forces grouping in the legislature called last week for clearer information from the government about the economy and said there must be more financial help for industry.

Indonesia's 280,000-member armed forces play a prominent role in government, and are guaranteed 100 representatives in the 500-member national assembly.

The armed forces' spokesman in parliament, Soegeng Widjaja, said the action on money supply had gone too far and was starting to squeeze business liquidity.

While recognizing the need to curb speculation against the rupiah, he said, the government must be more open when faced with rumors about a fresh devaluation.

The rupiah was devalued by 31 percent last September after falling oil prices cut government revenue. Rumors of a fresh devaluation began late in May, triggering speculation against the currency.

In remarks published Saturday, Mr. Soegeng said the government should provide more loans to help investment, improve freight transport and give closer attention to the marketing of commodities.

The central bank has reduced the money supply by making a lesser amount of liquid funds available for speculation against the freely convertible rupiah, raising interest rates to attract money back into the country, and putting a liquidity squeeze on banks and big business.

The rupiah rose to 1,642 to the dollar Saturday, from 1,644 Friday.

Foreign Investment in China Falls

BEIJING — Foreign investment in China dropped by 23.4 percent in the first six months of this year, but an economic official denied that the decline reflected uncertainty about China's political climate.

Foreign companies signed investment contracts valued at \$1.09 billion from January to June, compared with \$1.42 billion in the same period last year, said Wang Yungjun, a spokesman for the Foreign Trade Ministry. It was the third successive six-month decline.

Mr. Wang denied that the new decline reflected concern about the political climate after the ouster Jan. 16 of the Communist Party chief, Hu Yaobang, and a subsequent crackdown on Western influence.

He attributed the decrease in new contracts to China's efforts to discourage investment in nonproductive ventures such as hotels and restaurants and to attract more export-oriented industries.

STRATEGY INVESTMENT FUND S.A.

Messieurs les Actionnaires sont convoqués par le présent avis à l'Assemblée Générale Extraordinaire qui aura lieu le 14 août 1987 à 11.00 heures dans les bureaux de la Kredietbank S.A. Luxembourg: 43, boulevard Royal, Luxembourg, avec l'ordre du jour suivant:

- 1. Changement de la dénomination de la Société - Strategy Investment Fund S.A. - en "European Smaller Companies Fund".
2. Prorogation de la durée de la Société pour une période de trente ans, à partir du 14 août 1987.
3. Changement de la devise du capital et de la valeur nette d'inventaire en ECU au lieu de \$US.
4. Changement de la date de l'Assemblée Générale pour la fixer au quatrième mardi du mois d'avril à 15.00 heures.
5. Changement de la structure actuelle de la Société en celle d'une société d'investissement à capital variable suivant la loi du 23 août 1983 relative aux Organismes de Placement Collectif.
6. Nomination d'administrateurs.

Les résolutions à prendre sur les points 1 à 4 de l'ordre du jour requièrent un quorum de 50% au moins des actions émises et en circulation. Les résolutions sur les points 5 et 6 ne nécessitent pas de quorum, et pour être valables, les résolutions sur les points 1 à 5 doivent réunir au moins 2/3 des voix des Actionnaires présents ou représentés à cette Assemblée. Les documents sus 5 sont à la disposition des actionnaires au siège social. Le Conseil d'Administration

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AMSTERDAM DEPOSITORY COMPANY N.V.
Amsterdam, 17th July 1987.

SELECTED U.S.A./O.T.C. QUOTATIONS table with columns for Bid, Ask, and Price.

XEROX CORPORATION (CDR)

The undersigned announces that as from 21st July 1987, Xerox Associates N.V., Spinaardweg 172, Amsterdam, Div. 58 of the CDRs Xerox Corporation, each repr. 1 share, will be payable with Dfls. 1.32 net (div. per record-date 30.6.1987; gross \$ -75 pab.) after deduction of 15% USA tax = \$ -1125 = Dfls. -22 per CDR. Div. exp. belonging to non-residents of The Netherlands will be paid after deduction of an additional 15% USA tax (= \$ -1125 = Dfls. -29) with Dfls. 1.09 net.

LAURENCE ALA CHANCE

ANAL KETS

New International Bond Issues

Compiled by *Ames Paine Harlowe*

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield	Terms
FLOATING RATE NOTES						
JETS	\$ 55	1992	3/16	100		Over 50-year Libor. Collateralized by \$74.7 million of Japanese investment bank. Callable on a pro-rata basis if underlying debt is called. Fees 0.10%. Denominations \$100,000.
Security Investment Holdings	\$1000	2015	0.30	100		Over Libor. Exchange of perpetual floating rate notes at \$700,000 per \$1 million perpetual notes.
FIXED-COUPON						
Den Norske Creditbank (Int'l) Finance	\$ 91	1989	7	99 1/2		Noncallable. Fees 1.0%. Denominations \$1 million.
European Investment Bank	\$150	1997	9%	101 1/4		Noncallable. Fees 2%.
General Motors Acceptance Corp.	\$250	1989	8	101.05	99.25	Noncallable. Fees 1.0%.
Sweden	\$200	1992	8%	101 1/4	99.25	Noncallable. Fees 1.0%.
The Saiyu	\$ 70	1992	9%	101 1/4	99.25	Noncallable. Fees 1.0%.
Elders DL Finance	\$300	1992	10%	100 1/2		Noncallable. Fees 1.0%.
Amsterdam-Rotterdam Bank	DF 150	1992	6 1/4	100		Noncallable. Private placement.
Commerzbank Overseas Finance	CS 75	1991	10	101 1/4	99.50	Noncallable. Fees 1.0%.
Credit Commercial de France Australia	Aus \$ 50	1990	14	101 1/4	99.75	Noncallable. Fees 1.0%.
Denmark	Aus \$ 75	1989	13%	101.48	99.98	Noncallable. Fees 1.0%.
Deutsche Stadtungs & Landesrentenbank	Aus \$ 50	1990	13%	101 1/4	99.90	Noncallable. Fees 1.0%.
General Motors Acceptance Corp. Australia Finance	Aus \$ 40	1989	13%	101 1/4	99.88	Noncallable. Fees 1.0%.
Kraft	Aus \$ 75	1991	13%	101 1/4	99.88	Noncallable. Fees 1.0%.
Oesterreichische Kontrollbank	Aus \$ 75	1994	13%	101 1/4	99.75	Noncallable. Fees 2%.
Warekzhavne	Aus \$ 40	1990	14	101 1/4	100.13	Noncallable. Fees 1.0%.
Cassa di Risparmio della Provincia di London	Y 3,000	1992		101 1/4		Depository receipts paying 1% in first two years, and 7 1/8% thereafter. Fees 1.0%. Denominations 1 million yen.
EQUITY-LINKED						
Goldstar	\$ 30	2002	open	100		Coupon indicated at 11% to 2%. Convertible at an expected 90% to 110% premium. Redeemable in 1992 at an expected 3% to 5% yield. Fees 2.0%. Terms to be set July 30.
Kobori Jukon	\$ 70	1992	2%	100	98.50	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 2,112 yen per share and of 154.15 yen per dollar. Fees 2.0%.
Kuraray	\$ 70	1992	open	100	94.50	Coupon indicated at 2.0%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 2,026 yen per share and of 152.45 yen per dollar. Fees 2.0%.
Kyushu Matsushita Electric	\$ 150	1992	2%	100	99.50	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 2,024 yen per share and of 152.45 yen per dollar. Fees 2.0%.
Lone Star Technologies	\$ 50	2002	open	100	98.50	Coupon indicated at 7.0% to 8%. Convertible at an expected 24% to 28% premium. Fees 2.0%. Terms to be set July 30.
Long-Term Credit Bank of Japan	\$ 200	2002	1%	100	98.50	Semiannually. Convertible at 21,893 yen per share, and of 152.45 yen per dollar.
Mitsubishi Trust & Banking	\$ 100	2002	3%	100		Convertible at 4,171 yen per share and of 154.15 yen per dollar. Fees 2.0%.
Mizuno	\$ 50	1992	2%	100	93.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,159 yen per share and of 153.15 yen per dollar. Fees 2.0%.
Sumitomo Chemical	\$ 200	1992	2%	100	96.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 809 yen per share and of 152.45 yen per dollar. Fees 2.0%.
Toyobo	\$ 70	1992	2%	100	94.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 549 yen per share and of 152.15 yen per dollar. Fees 2.0%.
Toyo Suisan Kaisha	\$ 50	1992	3	100		Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,202 yen per share and of 154.15 yen per dollar. Fees 2.0%.
Yokogawa Electric	\$ 100	1992	2%	100		Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,159 yen per share and of 152.30 yen per dollar. Fees 2.0%.
York Int'l	\$ 50	2002	open	100		Coupon indicated at 5.0% to 6.0%. Convertible at an expected 22% to 27% premium. Redeemable in 1992 at a price linked to the annual 5-year U.S. Treasury Bond yield. Fees 2.0%. Terms to be set July 23.
Lorho Finance	£ 60	2002	4%	100		Convertible at 313 pence per share, a 6.10% premium. Redeemable in 1992 at an expected 8.51% yield. Fees 2.0%.
Sumitomo Textile	DM 70	1997	open	100	98.75	Semiannual coupon indicated at 10%. Redeemable in 1992 at 107%. Convertible at an expected 5% premium. Fees 2.0%. Terms to be set July 27.
Yokogawa Electric	DF 75	1992	1%	100		Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,159 yen per share and of 73.45 yen per florin.
Erte Nazionale Idrocarburi Int'l Bank	mi.60,000	1992	7%	100		Each mi.2,000,000 bond with one warrant exercisable into company's shares of 3,123 lire per share, a 6% premium. Fees 2.0%.
Australia & New Zealand Banking Group	Aus \$ 75	1992	13	111		Noncallable. Each Aus\$1,000 bond with 5 warrants exercisable into company's shares of Aus\$471 per share, a 10% premium. Fees 2.0%.
WARRANTS						
Barclays de Zoete Wedd Gilt	0.001	6 mos				Call warrants giving the right to buy, at 139%, £100,000 of U.K. Treasury's 12 1/8% bonds due 2004.
Bankers Trust Gilt	0.001	1988				Call warrants giving the right to buy, at 105 1/2/32%, £100,000 of U.K. Treasury's 10% bonds due 1993.
Chase Manhattan Gilt	0.001	6 mos				Call warrants giving the right to buy, at 123%, £100,000 of U.K. Treasury's 11 1/8% bonds due 2003.
Australia & New Zealand Banking	0.375	1992		AS32		Each warrant exercisable into Australia and New Zealand Banking shares at Aus\$471 per share.
Goldman Sachs Government Securities	0.001	6 mos				Call warrants giving the right to buy, at 130 1/8/32%, £100,000 of U.K. Treasury's 12 1/8% bonds due 2003.
Salomon	0.001	1988				Call warrants giving the right to buy, at 100 11/32%, £100,000 of U.K. Treasury's 8 1/8% bonds due 1997.
Salomon	0.001	1988				Put warrants giving the right to sell, at 96 11/32%, £100,000 of U.K. Treasury's 8 1/8% bonds due 1997.

UNIONS: Growing Demand in U.S. for Job Security

(Continued from first finance page)

In virtually all instances, the unions are granting steep concessions to obtain employment security. In its agreement with Case IH, for instance, the UAW gave up a general wage increase. It also agreed to a reduction in the number of job classifications, and gave management much more power over such areas as scheduling.

To achieve their goal of guaranteed employment in the auto industry, UAW officials indicate that they are willing to give companies greater flexibility in managing their work forces. And the union will not insist that every existing job and every factory be kept in operation, which is recognized as impractical.

Instead, it seeks what Mr. Bieber calls "a guaranteed future" for workers, based on retraining and new job opportunities.

But the results of unions' past attempts to obtain job or income security in industries facing economic decline are not encouraging. In the 1960s and 1970s the United Steelworkers tried to make it too expensive for companies to lay off masses of workers by negotiating supplemental unemployment payments.

But employment in basic steel dropped to its current 140,000 from 700,000 in 1978. Anyone with at

EUROBONDS: Novel Proposal to Repackage Perpetual FRNs Gets Mixed Reviews

(Continued from first finance page)

company, for example) or break the company up by selling the assets.

Schroder and its co-managers have established a list of 37 perpetuals — accounting for \$13.8 billion of the total outstanding — as eligible for the swap. Excluded are perpetuals issued by industrial companies, merchant banks, Australian banks and most Canadian banks. The distinguishing feature of the eligible bank paper is that interest, if ever omitted, continues to accrue.

The discount over whether the swap is good value for money stems from the terms.

Paper that is tendered draws only 93 percent of its face value in FRNs issued by Security Investment Holdings. That \$1 million nominal amount of perpetuals is to be exchanged for \$930,000 of SIH paper. The remaining \$70,000 is exchanged for 50 nonvoting B shares of SIH.

In addition, institutions participating in the swap must put up a cash supplement. The amount varies according to which paper is tendered and is set daily in relation to the price currently posted in the illiquid secondary market.

For the offering period, which ends Friday, the managers set a daily price at which they will accept eligible perpetuals. The cash supplement on the initial price list varied from a low of 13.59 percent of the amount tendered, for perpetuals issued by Barclays Bank PLC and National Westminster Bank PLC, to 21.76 percent, for those issued by Bank of Ireland.

The cash will be used to buy the zero-coupon bonds as well as to pay Financial Security Assurance for the insurance guaranteeing that interest on the FRN issued by Security Investment Holdings will always be paid.

Both sponsors and critics appear to agree that the entry fees for issues at the top and the bottom of the scale are not attractive. A bank holding the Barclays issue, currently quoted at around 92 percent of its par value, would probably do better to try to sell the paper, even at a price of 90, rather than join the swap operation. Yet whether such a

sale could occur if a large volume of paper were offered is questionable.

The swap offer is pegged to appeal to holders of the eligible issues that are currently quoted at prices in the mid-80s and requiring entrance fee payments between the two extremes cited above.

To take a random example, a holder of \$1 million of Bergen Bank perpetuals would tender this paper along with \$177,600 (an entry fee of 17.76 percent) and receive in exchange \$930,000 of SIH notes and 50 shares.

Interest on the Bergen perpetual is 1/4 percentage point, or 1 1/2 basis points, over Libor. The average coupon on the eligible perpetuals is 18.70 basis points over Libor.

By exchanging the Bergen Bank investor receives notes bearing a higher rate of interest at 30 basis points over Libor but on a smaller principal amount — resulting in a decline in annual income of some \$3,360 with Libor at 7 percent. It currently is 6 15/16 percent.

However, SIH itself would be earning an average 18.7 basis points over Libor on the \$1 billion worth of perpetuals it expects to receive, leaving the company with \$4 million more in annual income than it paid out, always assuming Libor at 7 percent. Distributed as a dividend on the shares, this surplus would give a holder of 50 shares an annual payout of \$3,720.

Thus, the holder swapping Bergen Bank for Security Investment Holdings would earn a slightly higher total annual income. Swapping paper on which interest was at the average rate of 18.7 basis points over Libor, total annual income from the SIH investments would produce \$300 a year less than if the \$1 billion in perpetuals had not been tendered.

The value of the SIH shares really surges at the end of 28 years, when its own FRN has been redeemed. SIH continues to earn annual interest on the perpetuals and that income — no longer needed to

service the FRNs — becomes fully available as an annual dividend.

A shareholding of 50 shares would then earn an annual dividend of some \$60,000, still assuming Libor of 7 percent. At that point, the B shares become voting shares representing a 90-percent ownership of SIH.

The remaining 10 percent in SIH goes to Financial Security Assurance as part-payment for its 28-year guarantee of interest payments.

From Schroder's point of view, the holder of perpetual bonds is presented with an opportunity to enhance the quality of his investment — exchanging the notes of one bank for a security, backed by a portfolio of perpetuals, guaranteed by FSA.

Seen from the critics' eyes, the holder of, say, a Lloyds Bank perpetual would be exposed to a wider risk in the SIH portfolio, admittedly enhanced by the FSA guarantee,

but still deemed a bigger risk than simply holding Lloyds paper.

Schroder officials dispute this view, noting that no perpetual is rated higher than double-A-minus, quite a few are triple-B (the lowest rating still considered investment grade) and most are not rated.

Critics also are unhappy at the cost they risk incurring. They say they have borrowed \$1 million to buy the Bergen bonds and now have to borrow an additional \$177,600 for entry fees, for a total of \$1.18 million on which they earn interest on only \$930,000.

While the share dividend may recover some of these costs, there is no certainty as the insurance company has the right to attach SIH's assets to cover its own costs if any of the banks omits paying interest or goes broke. This also leaves in question how much of the SIH assets will be left to B shareholders at the end of 28 years.

This, too, is a faulty analysis, says Schroder's. First, no bank anywhere can borrow \$1 million to finance an investment of \$1 million — some capital has to be committed, probably at least 10 percent.

Second, while the interest payment on any eligible perpetual may be skipped the interest still accrues — meaning that so long as the bank does not go bust, the missed payment will be repaid and FSA will release the SIH assets.

If a bank does collapse, payment of principal is assured thanks to the zero-coupon bonds held by SIH. In this worst-case scenario, FSA would permanently attach SIH assets to cover only the shortfall in interest payments.

This risk on the size of the asset pool left in SIH after its own FRN has been redeemed, says Schroder's, has to be measured against the certain repayment of 93 percent of the principal on perpetuals that otherwise would never be redeemed.

Another complaint concerns the liquidity of the FRNs to be issued by SIH. Potentially there are a series of 29 FRNs that could be issued, each matched to the interest payment schedule of the 37 eligible perpetuals. Critics fear that some series may be too small to be traded, although the three banks managing the issue say they will make a market in all the paper.

Bonds Decline on Host of Worries

(United Press International)

NEW YORK — The bond market came under intense pressure last week with long-term Treasury issues closing with losses of up to 2 1/2 points on a host of market concerns. Other sectors also showed declines.

The bellwether 30-year Treasury bond, the 8 1/2 percent coupon that matures in 2017, closed Friday at 99 2/32 for a yield of 8.826, down from 101 31/32 the previous week.

Corporate bonds lost about 2 points, and price declines of 1 1/2 points on municipal revenue issues offset roughly half of the gains over the previous three weeks.

Tax-exempt general obligation bond yields were higher by about 10 basis points, or 0.10 percentage point.

Analysts with the investment banking firm of Salomon Brothers Inc. said the market was "nervous" by the testimony before Congress of Paul A. Volcker, chair-

man of the Federal Reserve Board, by volatile oil prices, a firming Japanese yen and a favorable report on the U.S. economy.

The Commerce Department said the gross national product, or total output of goods and services, in the April-June quarter grew at a 2.6 percent annual rate, higher than most forecasts.

And in trading in New York on Friday, the dollar fell below the 150-yen level, to close at 149.50 yen, down from 151.25 Thursday.

"The bond market sank further this week against a backdrop of disquieting developments," said

Henry Kaufman, Salomon's chief economist in his weekly "Comments on Credit."

Mr. Kaufman said the decline reflected a belief that the dollar had topped out on currency markets, anxiety about developments in the Gulf and their impact on oil prices, and concern about inflation arising from the stronger-than-anticipated preliminary GNP data.


He said an indication by Mr. Volcker that the Fed had not engineered the recent drop in the federal funds rate "added to worries at the short end of the market."

The federal funds rate is the interest that banks charge each other on overnight loans.

"In focusing on these factors, the market shopped off a narrowing federal deficit, sluggish money growth and a nearly unchanged funds rate," Mr. Kaufman said.

"Nonetheless, the week's negative developments may keep the market on edge into early August, just as the Treasury floods the market with up to \$45 billion in delayed debt offerings."

The Ramsey Bonds	
Best Buy 30-Year Index	7.2%
Money Market Funds	
Dreyfus's 7-Day Average	6.1%
Bank Money Market Accounts	
Bank Rate Monthly Index	5.8%
Money Market Funds Average	16.5%
Source: New York Times	



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Avril 1987

SPORTS

Royals End Orioles' Streak at 11 On Leibbrandt's 2-Hit Complete Game

BALTIMORE — Charlie Leibbrandt pitched a two-hitter and the Kansas City Royals ended Baltimore's 11-game winning streak Sunday by beating the Orioles 4-0. Leibbrandt, 10-8, retired the first 13 batters and did not allow a hit for 5 1/2 innings until Ken Geertz grounded a single to right. Leibbrandt, who struck out seven and walked three, gave up a two-out single in the ninth to Billy Ripken.

SUNDAY BASEBALL

His major league-leading average to .373 and Horn added three hits. Clemens pitched his 11th complete game and did not allow an earned run. The right-hander, who did not strike out a batter in his fourth shutout against California last Tuesday, fanned 10 or more for the 16th time in his career. He walked two.

singles and struck out seven en route to his fourth complete game.

Expos 6, Reds 9: In the National League, in Montreal, Jeff Reed drove in four runs with a three-run homer, his first in the National League, and a sacrifice fly to back the six-hit pitching of Floyd Youmans as the Expos defeated Cincinnati. Montreal also had solo homers from Tim Raines and Tim Lincecum.

Youmans pitched his third shutout in his third complete game. He struck out seven batters and walked none as the Expos won for the 11th time in 14 games, including three in the four-game series against the Reds, the leaders in the National League West.

Phillies 7, Braves 3: In Philadelphia, Mitt Thompson, Vito Hayes and Mike Schmidt hit consecutive home runs off Doyle Alexander in the eighth inning to break a 3-3 tie and give the Phillies the victory over Atlanta. Thompson led off the inning by hitting an 0-1 pitch for his fourth home run of the season. Hayes then connected for his 14th homer, deep to right field, on a 1-1 pitch, and Schmidt followed with his 22d homer, on an 0-1 count.

It was the third time in Phillies history that three players have hit successive home runs. The last time was in Wrigley Field on Aug. 17, 1985, when Juan Samuel, Glenn Wilson and Schmidt connected.

Astros 5, Mets 2: In New York, Billy Hatcher hit a three-run homer off Jesse Orosco as Houston rallied for four runs with two out in the ninth to down the Mets. Dave Smith, 2-0, Houston's third reliever, pitched 1 1/2 innings of one-hit relief for the victory, although he walked in New York's go-ahead run in the eighth. Hatcher, who was 3-for-3, then hit his eighth homer of the season into the left-field bullpen on a 2-1 pitch. (AP, UPI)



Andre Dawson, the Cubs' right fielder, caught up Saturday with a drive hit by the Dodgers' Franklin Stubbs.

Roche, by 40 Seconds, Beats Delgado in Tour

By Samuel Abre

INTERNATIONAL HERALD TRIBUNE PARIS — Stephen Roche swept into Paris Sunday as the winner of the Tour de France bicycle race, capping a remarkable year of comebacks.

"You can guess how happy I am," he said as a French military band struck up Ireland's national anthem, "Amhrán na bhFiann," or "The Soldier's Song." Then the 27-year-old Roche's eyes filled with tears as he listened on the victory podium with Prime Minister Charles Haughey of Ireland.

At this time last year, Roche was finishing the Tour de France in 48th place during an injury-wracked year in which he won not a single race.

And now, in two months, he had won the Giro, or Tour of Italy, and the Tour de France, becoming only the fifth rider to record that demanding double in the same year. The others were Fausto Coppi, Jacques Anquetin, Eddy Merckx and Bernard Hinault — four of the greatest racers ever.

Roche, who rides for the Carrera team based in Italy, won the 26-day Tour de France by 40 seconds over Pedro Delgado of Spain.

The lead translated into little more than half a kilometer of the 4,100 kilometers (2,550 miles) the race had covered since it left West Berlin on July 1. In overall elapsed time, Roche finished in 115 hours, 27 minutes, 42 seconds as 135 riders remained of the 207 who set out in Berlin.

His margin of victory was the second smallest in the history of the race, which began in 1903 and has been halted only by world wars. In 1968, the gap between the first two finishers was 38 seconds.

Despite the relatively slight lead, Roche was never threatened Sunday by Delgado, who rides for the PDM team based in the Netherlands.

When Delgado lost the leader's yellow jersey Saturday in a time trial in Dijon, he vowed to attack at the start of the 192-kilometer stage from the Paris suburb of Creteil.

But he could do nothing to make up the lost time on the flat course, which terminated in six circuits of the Champs-Élysées.

Roche said, "Everything went perfectly." Finishing near the front of the pack and surrounded by teammates to protect him against a flat or a fall, Roche threw up his arms and broke into a radiant smile as he crossed the line.

Drawn by a rare sunny day, a crowd estimated at half a million lined the broad avenue from the Arc de Triomphe to the Tuilleries gardens to cheer the riders across the finish.

The last sprint was won by Jeff Pierce, an American with the 7-Eleven team, who beat Steve Bauer, a Canadian with Toshiba, by a second. Third was Wim van Eynde, a Belgian with the Joker team.

The triumph by an Irishman and an American underlined the changing face of professional cycling, which as recently as the start of this decade was exclusively a European sport.



Stephen Roche led a pack of riders through the Place de la Concorde during Sunday's final stage of the Tour de France.

The women's Tour de France also finished Sunday on the Champs-Élysées, with Jeanette Loggio of France winning that race by 2:52 over Maria Canins of Italy.

Canins won the last two years, with Loggio second both times.

Roche's victory was worth more than \$100,000 in prizes, including cash, a vacation studio and such bric-a-brac as a diamond-studded plaque and a Sevres vase. In all, more than \$1 million in prizes was distributed during the race.

Other major winners included Herrera as the top climber, Bernard as the best all-around rider, Raul Alcalá of Mexico as the best rider under age 24 and Jean-Paul Van Poppel as the points champion.

Roche held the green jersey of points leader until Sunday's finish, when Van Poppel beat him to the line. Alcalá finished ninth, 21:49 behind, as the highest-ranked rider for the U.S. 7-Eleven team.

From the tour's start Roche had been among the handful of favorites in what was regarded as a wide-open race after the retirement of Hinault and the withdrawal of last year's winner, Greg LeMond of the United States, because of a hunting accident.

The Irishman, who is considered to be one of the smartest tactical riders, planned his tour carefully. Even in Berlin he was saying that he did not want to attempt to take the yellow jersey too early and then have to defend it against all comers.

His goal was to move into the lead in the final time trial, which he did. Against his wishes, though, he took the jersey in the first day in the Alps and willingly yielded it the next day to Delgado, the eighth man to wear it during the race.

But the Spaniard, a stronger climber, was unable to build a big lead in the mountains. The farthest ahead he could get was 39 seconds, and Roche took back 18 with an attack on the final descent. That surprised Delgado, who is one of the swiftest descenders around.

This victory was far more pleasurable for Roche than his triumph in June in the Tour of Italy. Then, he found himself in trouble with Carrera team management, which would have preferred a victory by teammate Roberto Visentini of Italy, who finished second.

Tension of the team grew so intense that its manager even threatened to run Roche off the road with his car if he persisted in what became a triumphal breakthrough.

Finally, before his victory was assured, Carrera officials warned that if he did not allow Visentini to win, Roche would not be allowed to ride in the Tour de France.

All those troubles were forgotten on the victory podium Sunday, of course, as Carrera officials jostled with French and Irish politicians to embrace the man in the yellow jersey and to smile with him for the photographers.

Okamoto Leads Women's Open

EDISON, N.J. — Ayako Okamoto of Japan took the lead of the U.S. Women's Open golf tournament Saturday when she parred the final hole of the third round at the Plainfield Country Club. Okamoto, with a 70 Saturday and a par 72 on Friday, was at 3-under-par 213. Laura Davies of England, who led by a stroke after two rounds, shot 72 Saturday and 70 Friday for a total of 212. Martha Nease, at 215 after a 70 Saturday and 69 Friday, was the only other player under par.

The second round was interrupted by a storm that left 27 golfers still on the course when darkness stopped play. They had to finish Saturday before the third round began.

Dot Germain and Bonnie Laner, the co-leaders after the first round, were far back. Laner, after carding 76 in both the second and third rounds, was at 221. Germain shot 75 Friday and 70 Saturday for 223.

The field was cut after the second round to 68 players who shot 152 or better. Pat Bradley, winner of the 1981 Open, had 156 for 36 holes and, a week after missing the cut in the LPGA Boston Five Classic, missed cuts back to back for the first time in 10 years.

Wrenn Leads Buick Open by 6 Robert Wrenn shot 5-under-par 67 Saturday for a six-stroke lead after three rounds of the Buick Open. The Associated Press reports from Grand Blanc, Michigan.

Wrenn, who shot a blistering 63 on Friday, was at 21-under-par 195 and far ahead of Ken Green, who, with 69 Saturday and 66 Friday, was at 201.

Ed Dougherty, the first-round leader, shot 70 Friday, then 72 for a total of 206.

Giants Make Their Move on NL West

United Press International

SAN FRANCISCO — Consecutive one-run victories over the St. Louis Cardinals have convinced Bob Brenly that the San Francisco Giants are ready to make a move in the National League West.

The Giants improved to 49-48 with Saturday's 5-4 victory over the Cardinals and are in second place in the weak NL West.

"I don't think you have to get hot in this division," said Brenly, who homered and later drove in the game-winning run. "Lukewarm might be good enough to do it right now."

Brenly, batting .410 in his last 17 games, capped a seventh-inning rally with a two-out, two-strike single off the losing pitcher, Bill Dawley.

"I was batting off a pitch I didn't really want to hit," Brenly said. "With two strikes, you don't have much of a choice. He threw a slider and got it out over the plate a little bit."

After the Giants had blown a 4-0 lead, Mark Wasinger opened the San Francisco seventh with a single. Mike Aldrete then doubled up the left-center field gap, but the Cardinals got Wasinger out at the plate on a perfect relay throw from Ozzie Smith to Tony Pena. Aldrete took third on the throw and scored when Brenly lined a single right to beat the Giants a 5-4 lead.

Scott Gault pitched 2 1/2 innings of relief to earn the victory. The Giants, who lead the major leagues with 126 double plays, supported their pitchers by turning four for the second consecutive game.

"I think we feel like we can go out and win on a consistent basis," Garretts said. "We haven't been doing that."

San Francisco starter Mike Krukow, who has not won since April 30, carried a one-hit

SATURDAY BASEBALL

pitch with two out in the 10th and beating Chicago.

White Sox 3, Yankees 2: In Chicago, Kenny Williams hit a sacrifice fly in the eighth inning to beat New York. Don Mattingly, returning to the Yankees' starting lineup after sitting out three games with a bruised wrist, got three hits.

Red Sox 11, Mariners 5: In Boston, Sam Horn hit a tie-breaking two-run homer in his first major-league start as the Red Sox routed Seattle. Rookie Tom Bolton worked five innings in relief for the victory in his first major-league decision.

Rangers 7, Indians 3: In Cleveland, Oddie Mc Dowell drove in the winning run on a controversial sixth-inning double. With the score 3-3, Pete Incaioviglia walked to lead off the Texas sixth. Mc Dowell hit a drive into the left-field corner and a fan touched the ball. Plate umpire Mark Johnson gave Mc Dowell a double and ruled that Incaioviglia would have scored had the interference not occurred.

Twins 13, Blue Jays 9: In Toronto, Gary Gaetti hit a three-run homer during a four-run fourth inning and singled in a run during a seven-run sixth that was Minnesota's highest scoring inning this season. The Twins also stole five bases.

A's 13, Brewers 4: In Milwaukee, Curt Young won for the first time since returning from the disabled list July 20, but left the game with an injury in the sixth inning of Oakland's easy victory. Young developed soreness in his left bicep muscle.

Orioles 4, Royals 3: In Baltimore, Eddie Murray homered off Bret Saberhagen with two out in the bottom of the eighth to beat Kansas City and give the Orioles their 11th straight victory.

Shutout and a 3-0 lead into the sixth. Rod Booker, Vince Coleman and Smith all singled before Craig Lefferts relieved Krukow and induced Tommy Lefty to bounce into a double play with Coleman taking third and Booker scoring.

Lefferts' next pitch hit the dirt and squirted off the first-base line. Coleman tried to score from third, but Brenly got the ball and hurried home to tag out Coleman.

Dodgers 7, Cubs 2: In Los Angeles, Ken Howell, making the second start in the major leagues, allowed one hit over five innings and Alejandro Pena contributed four innings of one-hit relief to help the Dodgers snap a six-game losing streak with a triumph over Chicago. Howell's only other start in 185 major-league appearances was during his rookie season of 1984.

Astros 7, Mets 5: In New York, Denny Walling hit a two-run triple and Glenn Davis followed with a two-run homer in the fifth to give Houston its victory.

Braves 2, Phillies 1: In Philadelphia, Gerald Perry's solo homer in the first inning and Gene Garber's RBI single backed the third hit pitching of David Palmer and Gene Garber for Atlanta.

Expos 6, Reds 9: In Montreal, Mike Fitzgerald's pinch-hit single with the bases loaded in the bottom of the 12th beat Cincinnati.

Pirates 9, Padres 3: In San Diego, Sid Bream drove in five runs, two during a five-run first inning, to power Pittsburgh's rout of the Padres.

Tigers 5, Angels 4: In the American League, in Detroit, Lou Whitaker atoned for an error in the ninth by homering on a 2-2

SCOREBOARD

Baseball

Friday's and Saturday's Major League Line Scores

Table with columns for team names and scores for Friday and Saturday games.

Baseball

Table with columns for team names and scores for Sunday games.

Cycling

Tour de France

Table listing cycling events and participants.

Tennis

World Group Quarterfinals

Table listing tennis matches and winners.

Baseball

Major League Standings

Table showing league standings for various teams.

Auto Racing

West German Grand Prix

Table listing auto racing results.

European Soccer

French First Division

Table listing European soccer results.

Football

CFL Standings

Table showing CFL standings.

Football

Eastern Division

Table showing Eastern Division football results.

Football

Western Division

Table showing Western Division football results.

Baseball

Friday's and Saturday's Major League Line Scores

Table with columns for team names and scores for Friday and Saturday games.

Baseball

Major League Standings

Table showing league standings for various teams.

Auto Racing

West German Grand Prix

Table listing auto racing results.

European Soccer

French First Division

Table listing European soccer results.

